



South East European University

*Faculty of Business Administration and Economics
Department of Finance and Accounting*

MASTER THESIS

Topic: Social Finance and Its perspective in the Republic of Macedonia

Mentor:
Gadaf Rexhepi

Prepared by:
Zulejha Sefuli

Tetovë, 2018

Declaration

I hereby declare that this Master's thesis is own work, and it does not contain other people's work without this being stated and that the bibliography contains all the literature that I have used in writing the thesis, and that all references refer to this bibliography. I understand that any violation of these rules will be considered cheating and will have legal consequences.

Abstract

The importance of the topic covered in this master thesis is a paramount one to the Macedonian economy and social welfare because social finances are a very new concept to our country, and with the ongoing process of drafting and adopting of a new law that will regulate these issues our country will be facing new challenges that will hopefully help the social economy develop, and with that being said, the quality of live improved.

The content of this paper has been collected from the existing studies and work of many renowned scholars and institutions around Europe and the World while being compared to the reality on the ground in Macedonia, and thus analyzed if the existing knowledge can be adopted and used in Macedonia.

Based on the case studies carried out for the purpose of this thesis paper, there is some type of social economy and entrepreneurship in Macedonia despite the fact that those enterprises are not registered as such, but rather they operate as non-governmental organizations, non-profit organization or civil society organization and associations. There is hope that social economy has a good perspective in Macedonia as the country is preparing the legal framework to acknowledge and regulate the social finances and economy.

KEY WORDS: social economy, social finances, social entrepreneurship, social banks, social investment, loans, microfinance, triple bottom impact,

Апстракт

Важноста на темата опфатена во оваа магистерска теза е најважна за македонската економија и за социјалната заштита, бидејќи социјалните финансии се многу нов концепт за нашата земја, како и со тековниот процес на изготвување и донесување на нов закон со кој ќе се регулираат овие проблемите со кои се соочува нашата земја ќе се соочат со нови предизвици кои, се надевам, ќе помогнат да се развие социјалната економија, а со тоа се вели дека квалитетот на живеењето е подобрен.

Содржината на овој труд е собрана од постојните студии и работа на многу реномирани научници и институции низ Европа и светот, а се споредува со реалноста на теренот во Македонија и на тој начин се анализира дали постојното знаење може да се прифати и искористи во Македонија.

Врз основа на студиите на случаи спроведени за целите на овој труд, постои одреден вид на социјална економија и претприемништво во Македонија и покрај тоа што тие претпријатија не се регистрирани како такви, туку работат како невладини организации, непрофитна организација или организација и здруженија на граѓански организации. Постои надеж дека социјалната економија има добра перспектива во Македонија, бидејќи земјата подготвува правна рамка за признавање и регулирање на социјалните финансии и економијата.

КЛУЧНИ ЗБОРОВИ: социјална економија, социјални финансии, социјално претприемништво, социјални банки, социјални инвестиции, заеми, микрофинансирање, тројна дното влијание,

Table of Contents

| | |
|--|----|
| Chapter 1..... | 7 |
| 1.1. Introduction | 7 |
| 1.2. Research Hypothesis..... | 10 |
| Chapter two: Literature Review..... | 12 |
| 2.1. Introduction to Social Finance | 12 |
| 2.2. Defining Social Finances..... | 13 |
| 2.2.1. The notion of social finances | 14 |
| 2.2.1 What makes a social investment? | 17 |
| 2.2.2 Characteristics of Social Finance..... | 18 |
| 2.2.3 Types of Social Finances..... | 20 |
| • Microfinance | 21 |
| • Impact investing..... | 21 |
| • Social Stock Exchanges..... | 21 |
| • Civic Crowd-Funding | 21 |
| 2.2.4 Benefits of Social Finances..... | 22 |
| 2.2.5 Social Finances and Islamic Finances | 23 |
| 2.3 The role of Social Banking in Social Finances..... | 25 |
| 2.2.1 What Is a Social Bank? Definitions and Practices | 27 |
| 2.3.2 Characteristics of Social Banks..... | 29 |
| 2.2.2 Social Banks – a future business model..... | 34 |
| 2.2.3 Who says banks can't be social?..... | 35 |
| 2.2.4 How to measure the success of social banks? | 37 |
| 2.4 Social Entrepreneurship and its dependence on social finances..... | 37 |
| 2.4.1 Defining social entrepreneurship..... | 41 |
| 2.4.2 Characteristics of Social Entrepreneurship..... | 42 |
| 2.4.3 Characteristics of Social Entrepreneurs..... | 44 |
| 2.4.4 Different types of social enterprises..... | 45 |
| Chapter three: Research Methodology and research results..... | 50 |
| 3.1. Research methodology | 50 |
| 3.2. Research results..... | 51 |
| 3.2.1. CASE STUDY one: LICE v LICE (face to face) Street Paper | 51 |
| 3.2.2 NEGA+ | 52 |

| | |
|---|----|
| 3.2.3 “KULLA E JETIMIT” (The Orphan’s Tower) | 53 |
| 3.2.4 ARNO | 54 |
| 3.2.5 SOLEM (Association for support of persons with disability)..... | 56 |
| 3.2.7 AIBiz Foundation | 58 |
| Chapter four: research analysis | 60 |
| 4.1. Case Studies Summary | 60 |
| 4.2 Why should we use Social Finances in Macedonia | 62 |
| 4.3 Social banks in Macedonia | 64 |
| 4.4 Social Entrepreneurship in Macedonia | 71 |
| Chapter five: conclusion and recommendations | 77 |
| <i>BIBLIOGRAPHY</i> | 80 |

Table of Figures:

| | |
|--|----|
| Figure1: Spectrum of Social Finance (A. Nicholls, R. Paton & J. Emerson, 2015) | 15 |
| Figure 2: Spectrum of Social finance instruments ((A. Nicholls, R. Paton & J. Emerson, 2015) ... | 15 |
| Figure3: The Triple Bottom Line: How Today's Best-Run Companies Are Achieving: Andrew Savitz, 2013 | 16 |
| Figure 4-Social Investment as a new charity finance tool: Mark Salway,2017 | 18 |
| Figure 5: Intro Social Banking by Sanika Hufeland,2017 | 25 |
| Figure 6-Banks and Impact Measurement: The case of Charity and Tridos Bank,ISB Paper Series 10,2012,p.11) | 29 |
| Figure7-The entrepreneurship spectrum illustrating the boundaries of social entrepreneurship Samer Abu-Saidan 2012 | 38 |

Chapter 1

1.1. Introduction

Macedonia is a relatively poor country with a low index of economic development and unemployment is a problem that has not gotten the much needed attention of the authorities. Many young and educated people flee the country every day in search of a better life in the western European countries.

On the other hand, those remaining in the country have difficulties finding proper jobs that will offer them a good life. As the state is the biggest employer, many young people are (in a way) forced to join political parties for a job position in the public administration. Often, those who oppose to this phenomenon can't get a good job in the public sector, and may choose to do something out of their field to make a living.

To address such modern problems, a more modern and innovative approach is needed, therefore Macedonia is currently working towards drafting and adopting a new law that will regulate the social entrepreneurship in the country, in an attempt to solve social problems, create financial gain and maintain environmental protection and care.

This new approach on the economy will also need a new banking system, to respond to the growing need for funds with a relatively low interest. All around the world, social banks work to meet these expectations of the social entrepreneurs, by offering the money needed to start and grow a business that will tackle social issues, create financial profit to become sustainable or grow, and have a consideration on the environmental protection and care.

Businessmen and entrepreneurs in Macedonia are known to have a lot of capital, but most of it is kept safe in bank accounts or "under the pillow". Many of these successful entrepreneurs and business owners engage in charity projects and operations, but the concept of philanthropy in Macedonia does not seem to be widely embraced and accepted by those who can do more. Perhaps, educational and awareness raising projects are needed to tell the people with the money that their capital can do better than stay locked in bank accounts or elsewhere, just as it has proven in other countries, as stated in this paperwork.

In conclusion, the new problems cannot be tackled by old methods, not exclusively! Thus, the focus on social finances needs to remain active, vocal and increasing constantly. There is hope

that such approach will help the economy in Macedonia and there is great will of many young people to start up their businesses. At the same time, many civil society organizations, non-profits and non-governmental organizations that are currently serving as social enterprises seem to be ready to switch to social enterprises as legal entities, as soon as the new law has been adopted.

1. RESEARCH FIELD

(Argumentation of the Proposal Thesis)

The research thesis included a review of social finance and social banks in Europe and Canada, while analyzing the current situation and legislative opportunities in the Republic of Macedonia in the field of social finance, the private sector and the non-profit sector in order to practice the best global model that will enable the creation of new and prosperous perspective in the country.

More specifically, the center of the research field covered social banks in the world and in the country, those that invest in projects that benefit the society and aim for financial return, while at the same time having a positive impact on the environment, the economy and the society (triple bottom line).

Social finance is investing capital and professionals that focus on establishing and scaling up of social enterprises and social entrepreneurs. Social finance is the way of managing the money that will bring social, environmental and often financial benefits. On the other side, social banks as “conscious banks” that invest for the community thus providing opportunities to those marginalized and supporting social, environmental and ethical agendas.

These banks introduce the benefits of banking activities and financial services to have a present and future positive contribution in the developing potential of all human beings. Social finance and banking activity aim to achieve positive social impact by offering products and services such as loans, investments, venture capital and microfinance. Compared to social finance, socially responsible investments integrate social or environmental criteria into the set of investment indicators.

The state institutions in the Republic of Macedonia should focus in promoting social entrepreneurship by following the positive examples of economic and social management in

countries with a higher democratic perspective and high economic standards, with the sole purpose of increasing the sustainability of the civil society and decreasing unemployment.

2. AIMS OF THE RESEARCH

This research thesis aimed to evaluate social finance, to identify and examine sources of social finance in the country, as well as the identification of international specific patterns and best practices that would be transferable and applicable in the Republic of Macedonia, as well as providing an empirical recommendation for the upgrading of state institutions in the country.

Furthermore, key goals and objectives were the identification, review and utilization of world's most sophisticated methods of social finance, ranking of social finance opportunities with specific references to key areas of development of social economy opportunities, identification of legislation, administrative issues and both local and international regulations concerning social finance provisions.

This research also aimed at improving the understanding and strengthening of social banking practices and all economic interactions that affect human and social wellbeing in the country.

Information on the current state of social finance and social banks in the world and in the Republic of Macedonia was used by this research thesis as an important input in strategy building when it comes to supporting investors' initiatives, public institutions, private sector, nonprofit organizations, as well as citizen initiatives to improve the social finance sector. The sample of this research thesis has included an analysis of nonprofit enterprises and organization mainly operating in Canada, European Union member states as well as the Republic of Macedonia.

1.2. Research Hypothesis

In this master thesis we use two research hypothesis, which are:

H1. Social finances influence the social-economic development of the countries in the world.

H2. Bank loans as per social finances will help non-profit organizations and social enterprises to develop social businesses.

IMPORTANCE OF THE THESIS

This thesis will serve as professional guide that will affect in further promoting and embracing social finance and social banks, from a moving curiosity to a practical reality.

The importance of promoting and enhancing social finance has become even more apparent in the times of economic crisis and recession as a result of the turmoil in the global and local finance market. As the need for funds is constantly growing, the access to capital has been somewhat cut off, and charity has decreased steadily. Social finance is great help to the social entrepreneurship efforts of some non-governmental organizations, non-profit organizations, community organizations and volunteers that are currently exploring new and innovative ways of generating funds that will help them address the deep social and economic inequalities in the country and all over the world.

This thesis is also important because I have used comparative methods of domestic and international investment analysis, specifically of those that aim to develop the society and aim at the economic and social development of the community. A clear overview of the principles and procedures for guaranteeing social returns has also been given.

Through my thesis I have given a “formula” for social impact bonds that have the potential to unlock an unprecedented flow of finances for different organizations in the country. Focusing on returning results, these organizations will develop innovative interventions to address the rooted social problems that weigh heavily on our society and in our national goal.

This thesis is a guideline for a sustainable development to address our social challenges to a degree that will meet the democratic demands of our society, will encourage adaptation of international practices from the public sector and nonprofit sector, and an increase of governmental accountability for funding projects and activities that will bring benefit.

Chapter two: Literature Review

2.1. Introduction to Social Finance

This master thesis work focuses on the social economy and many aspects to it, aiming to develop and present tools and mechanisms that will help overcome problems such as unemployment, economic development, innovative approaches to doing business, the need of introducing and triggering start of social banks, etc. Social finances, as a new concept in our society is presented through trying to give already established definitions by different sources, institutions, journal articles, government reports and other paperwork. A thorough presentation of the notion of social finances has been offered alongside with types and benefits of social finances. A comparison between social finances and Islamic finances serves to show the similarities between the concepts while at the same time emphasizing the need to accept the concept, further to adjust and adopt many new aspects of the latter to the modern social finances.

The role of social banking in social finances is presented by sharing some foreign experiences where a particular accent has been put in the benefits of utilizing social banks to the benefit of the social economy. Definitions of social banks have been presented, followed by practices and features that characterize such institutions. The goal to introduce social banks as a future business model has been presented in hope to provoke several Macedonian banks to switch to this model which will guarantee them profit while striving towards the triple bottom line of addressing social challenges, financial gain and environmental protection. Another important part of this master thesis is the focus on the social enterprises by offering definitions and practices. Social entrepreneurship is present in Macedonia but it is mainly performed by nongovernmental organizations, nonprofit organization, civil society organizations, civil associations and foundations. The social entrepreneurship as such does not legally exist in Macedonia as there is no law that regulates this matter. However, foreign experiences of social enterprises (as well as characteristics and types of social entrepreneurs) have been introduced as a means to help Macedonia benefit from.

The case studies section of this master thesis introduces a variety of social projects, mainly carried out by foundations, NGOs, CSOs, nonprofits and other associations. They all show that social entrepreneurship has a very good perspective in the country and that all of the subjects studied for the purpose of this paper are willing to continue their services and in addition to this they are willing to do more in the future.

2.2. Defining Social Finances

Even though is presented mainly as a new concept, social finance's roots can be traced back to the medieval times firstly used by Islamic financial system (more in 1.6 Social Finance and Islamic Finances) or the Holy Order of the Poor Fellow-Soldiers of Christ and of the Temple of Solomon which dates back in 1119. Social housing serves as element of social finances in the late 50's and 70's in some European countries, until the 1973 when the global economic crisis was over and this model started to reshape into a more liberal ideology (*Policy Review, 2012, p. 92*). More simple examples of social finance would include offering a loan to help a non-profit day care in a low income community, help others make socially responsible investments, provide low interest rates for purchasing fuel efficient and low gas-emission cars, provide low interest loans to build new or insulate old buildings towards an energy efficiency level, donate to community capital fund for environmental businesses, help civil society organizations provide their services to the community, etc., (*Cetina and Preda, 2013*).

Macedonia as a new country does not have much knowledge or use of the social finances as a tool of tackling the problems of socially, economically and financially challenged families and communities. This thesis aims to introduce the social finances to the Macedonian market and to further identify the possibilities, benefits and the role of social finances in empowering women, poorly skilled personnel and those interested in but currently incapable of restoring their communities. The current system of financing in Macedonia needs changing as social trends are seem to getting only worse, and an increasing strain on resources is already coming to surface with population aging, brain drainage, unfunded pension liabilities, pressures on the tax system and many other issues concerning the country (*Curak, M., Poposki, K., & Pepur, S., 2012*). Generally speaking, there are two primary models of social financing. The first one would be the state model which is inefficient in directing capital and which has perhaps vested interests in the

status quo. The second one would be the market system of foundation capital where recipients and funders negotiate and spend a lot of time fundraising (Varga and Hayday, 2016). With a considerable growth of philanthropy around the world, there is hope that things will be better in the future, and especially since a third model of social financing is emerging, the use of market mechanisms to allocate social capital. As a third pillar, this will focus on social entrepreneurship, venture philanthropy and micro-finance (Galaskiewicz, J., 2016).

2.2.1. The notion of social finances

Although many attempted to define social finances in many terms and phrases, to this day there is not one definition accepted by all about what social finance is and what it should incorporate in itself. This may serve as a holdback to the social finances as many investors see it as a high-risk investment. However, some of the most widely used definitions of social finance follow below.

Social Finance is a new and innovative way of managing money which in return delivers social and/or environmental benefits and, most of the times, a financial return as well (Benedikter, R., 2011). To break it down, the word “social” refers to the social sector in general, whereas the word “finance” refers to a number of different funding methods for the organizations of the social sector (Geobey, S., Westley, F. R., & Weber, O.,2012).

Another definition presented by the Capacity Building Consulting agency in Canada adds that *“social finance encourages positive social or environmental solutions at a scale that neither purely philanthropic supports nor traditional investment can reach”* (Seelos, C., & Mair, J., 2005). As social finance proposes a different way of dealing with the poverty (Rexhepi, 2017), it is not to be mistaken with charity or philanthropy. Social Finance is a social, financial and political necessity according to the report and recommendations of the steering committee on social finance, in the common interest, the case for social finance in Ireland (2004) Social finance is seen as a unique type of finance which plays a key role in financing the social economy(Bolton, E., & Savell, L.,2010).

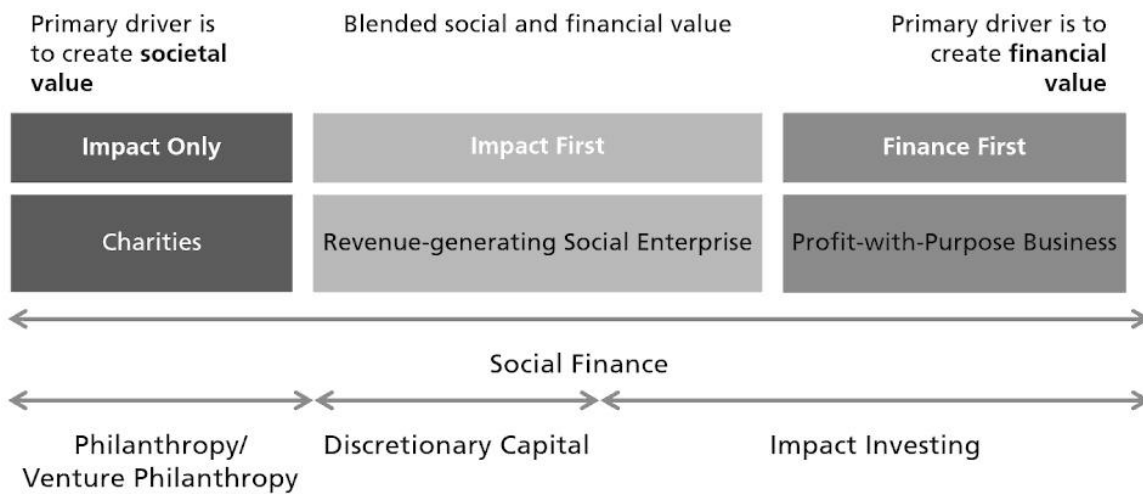


Figure 1: Spectrum of Social Finance (A. Nicholls, R. Paton & J. Emerson, 2015)

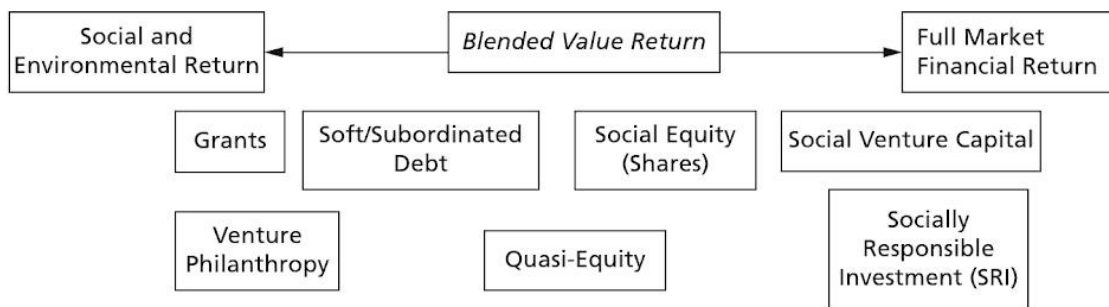


Figure 2: Spectrum of Social finance instruments ((A. Nicholls, R. Paton & J. Emerson, 2015)

As an alternative model of investment, social finance demands that investments produce both a social and a financial return (Waddock, S. A., & Graves, S. B., 1997) it also seeks to avoid investing on companies which are considered “bad” or “harmful”. Social finance applies to a wide range of organizations and activities. As such, it creates opportunities for investors to finance projects that are of a social benefit and for community organizations to have access to new sources of funds (Preston, L. E., & O'bannon, D. P., 1997).

Social finance providers seek to support the development of initiatives, which tackle disadvantage, environmental decay or inequalities, thus responding to the emerging and changing needs of potential clients and potential sectors. (Mathie, A., 2001).

In its essence Social Finance is about making investments that provide not just a financial benefit but also a social and environmental return. This is often referred to as pursuing a ‘Triple Bottom Line’ of People, Planet, and Profit which will be discussed in details later in this study (Savitz, A., & Weber, K., 2006).

| Economic | Environmental | Social |
|------------------------------|----------------------|------------------------|
| Sales , profits , ROI | Air quality | Labor practices |
| Taxes paid | Water quality | Community impacts |
| Monetary flows | Energy usage | Human rights |
| Jobs created | Waste produced | Product responsibility |

Figure3: The Triple Bottom Line: How Today's Best-Run Companies Are Achieving: Andrew Savitz, 2013

To put it in more simple words, social finance is an approach to managing money that delivers positive social and environmental benefits, as well as a financial return.

Dominique Biron-Bordelau of Credit Union Central of Canada in his 2013 report ¹ “Social finance and credit unions, Differentiating by making a difference” explains that Social Finance is mainly associated with terms like impact investing, socially responsible investing (ethical investing) and micro-lending. His report illustrates the social finances as an umbrella term for the associated concepts through which the principles of social finance can be applied.

MaRS centre for impact investing² in 2010 have offered definitions for the associated concepts:

- Socially Responsible Investing – SRI (i.e. ethical investing) is the inclusion of environmental, social and governance considerations into the management and selection of investments.
- Impact investing are investments made into companies, organizations and funds with the intention to generate measurable social and environmental impact as well as a financial return.

¹<https://ccednet-rcdec.ca/en/toolbox/social-finance-and-credit-unions-differentiating-making>

² <https://impactinvesting.marsdd.com>

- Micro-lending refers to small loans (under \$25,000) made to entrepreneurs who are not able to access traditional forms of commercial financing for their businesses, while providing business training and technical assistance.

2.2.1 What makes a social investment?

Considering the fact that social finances are not a very popular concept in our country, it cannot be expected that many people may have an idea what a social investment is, and how to make one?! A social investment is one where the investor expects both to get back some interest and create a social impact through which both investor and beneficiary will see positive social change take place as a result of the investment made in first place (*Morel, N., Palier, B., & Palme, J. (Eds.), 2012*)

Social investment is very important for three main reasons: (*Davison, R., & Heap, H., 2013*).

1. It recycles the money that investors possess, as there's usually less money available where a bigger demand for grants is present. Once proven successful, the investor may decide to put the money back to use with another social investment, thus ensure additional value and impact for themselves and the beneficiaries.
2. It brings more new money to the game by attracting funds from new sources be it individuals, mainstream finances, or the private sector.
3. More organizations may gain benefit from it as they're trading. This means that more income is earned and despite the investment being returned new investments can be made (by those who benefit from the first investment) to new organizations or new social entrepreneurs.

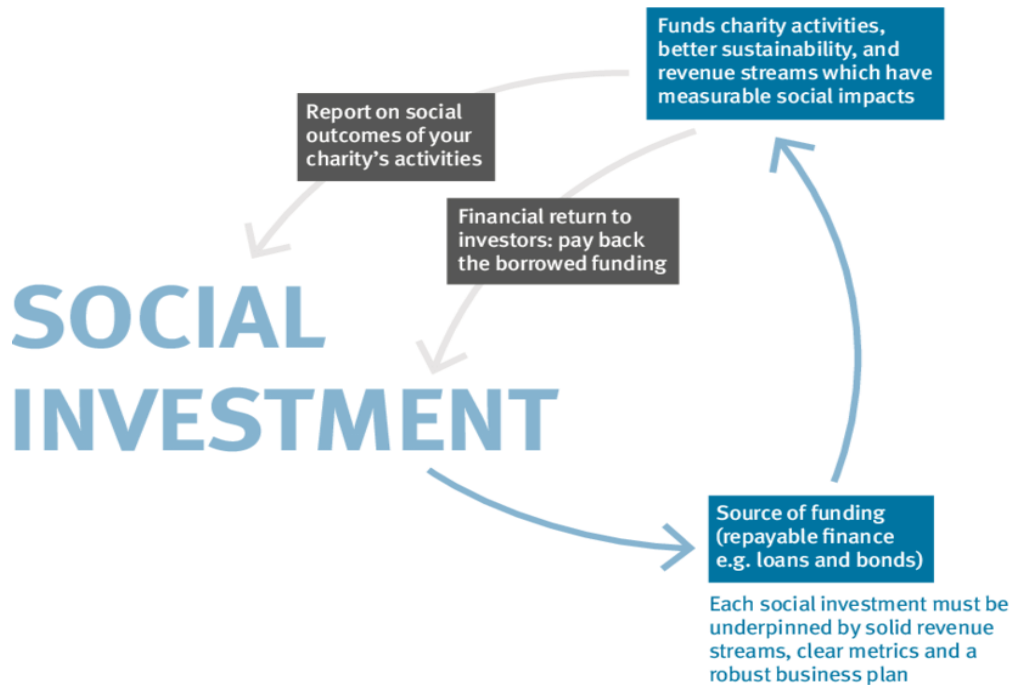


Figure 4-Social Investment as a new charity finance tool: Mark Salway,2017

In this regard, one must understand that not every organization is fit to receive social investment, and furthermore not every organization may benefit from social investment (Roberts, B. W., Wood, D., & Smith, J. L., 2005). Usually, organizations may need social investments for a new start-up, to keep going by supporting existing activities, to expand their business (or organization) by buying new assets (buildings or equipment), or to grow and expand their successful business (Lodi-Smith, J., & Roberts, B. W.,2007).

Social investment is one that takes a longer-term view and is outcome focused. It is about building enterprise solutions and is much more comfortable with risk (Roberts, B. W., Wood, D., & Smith, J. L., 2005)

2.2.2 Characteristics of Social Finance

Social entrepreneurs anywhere in the world challenge existing rules and institutions by establishing and creating new “rules of engagement” and innovative vehicles with the purpose of achieving their social goals (Dunn, P., & Sainty, B., 2009). New rules may include but are not limited to provoking existing markets through competition or alternative solutions (Moore, M. L., Westley, F. R., & Nicholls, A.,2012) Furthermore, social entrepreneurs may use an indirect

pressure to the industries in the existing market by raising awareness and stimulate a change of behavior and attitude among them (*Martin, R. L., & Osberg, S., 2007*).

Of course, this is not an easy task to deal with on a daily basis but social entrepreneurs are known to be very persistent in achieving their goals (*Zahra, S. A., Gedajlovic, E., Neubaum, D. O., & Shulman, J. M., 2009*). This is one of the main characteristics of social finance. Other characteristics will be discussed below.

It is highly important that this behavior and attitude change expands and grows across the public sector and the private sector likewise, in order to penetrate all economic, social and political domains. It would be no use if these efforts remained isolated among few in a moment when the benefits would be greater if adopted in a larger scale (*Carter, N., Brush, C., Greene, P., Gatewood, E., & Hart, M., 2003*).

As a multidimensional construct that involves entrepreneurial behavior towards achieving a social mission, unity of purpose and action to bring change, social finance is characterized mainly by innovativeness, a proactive approach and risk-taking, while all at once aiming to provide services for those in need (*Sara Carter, E., & Jones-Evans, D., 2009*).

When it comes to the characteristics of social finances, one must not forget to mention that perhaps the most distinctive feature of social finances (compared to commercial finances) is that social finances are driven primarily by a very high motivation to create value for society, not just value for them.

According to Global Impact Investing Network (GIIN), (social) investments should have the following four core characteristics: intentionality, return expectations, range of return expectations and asset classes and impact measurement (*Cahill, G., 2010*).

A BCG and Young Foundation paper from 2011 claims that the main criteria of social investment should be that social returns are clearly defined *a priori* and are not incidental side effect of a commercial deal, and that the investor expects a financial return of at least repayment of capital (*Slevin, D. P., & Terjesen, S. A., 2011*)

The separation of value creation and value appropriation is very important when conceptualizing social finance, as in conventional finance, the owner of the allocated capital expects benefit from an appropriate, risk-adjusted proportion of the value created, whereas in social finance, the expectations of the owner of capital allocated are typically more complex when it comes to value appropriation (*Dacin, P. A., Dacin, M. T., & Matear, M., 2010*). For example, philanthropists

would judge a grant by the value created for the beneficiary – not for themselves (*Joy, I., de Las Casas, L., Rickey, B., & Capital, N. P., 2011*).

A social finance fund would seek a blend of financial value for the owner of capital and social value for the other party. An impact investor would seek a conventional financial return to himself while creating social value for others by buying equity in a microfinance company (*Maskell, P., 2000*).

Social finance is also characterized by the following elements, according to *TSA Consultancy*

- The mission of social finance is to use financial tools in achieving sustainable and equitable development.
- Social Finance uses the long-term vision to increase social capital.
- Social Finance has many channels of delivery where each channel has different methods and forms of behavior and acting, but working together to give rise to an identity specific to social finance.
- A social financier funds both activities and people that benefit their communities and societies.
- Social finance providers give priority to those organizations or individuals who are not much included in the mainstream services, and the same organizations or individuals are the target groups of the services provided.

One feature that defines social finance in practice is innovation in terms of institutional norms that govern the relationships between capital allocation logics (focused on OUTCOMES of placing capital) and “investor” rationalities (focused on OBJECTIVES of placing capital)(*Midgley, J.,2015*).

2.2.3 Types of Social Finances

As the list of alternative financing methods is constantly shaping and growing while trying to plug the gap between government support and public giving, new kind of investors emerge.

There are several types of social finances, and all of them aim the social change, financial return and environmental benefit (Nicholls, Paton and Emerson, 2015) Some of them will be briefly introduced below but discussed in more detail in this later in this paper.

- **Microfinance** is perhaps one of the most known types of social finance. Rankin, K. N. (2002). It is usually manifested through the so called micro-loans, or lending of small amounts of money at a very low interest to new businesses, start-ups, or organizations that tackle social problems in the developing world (*Brau, J. C., & Woller, G. M., 2004*).
- **Impact investing** are investments which are made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return (*Bugg-Levine, A., & Emerson, J., 2011*). They can be made both in emerging and developed markets, targeting a range of returns which depend on the strategic goals that the investors have set (Brest, P., & Born, K., 2013).
- **Social Stock Exchanges** is a fairly new dimension in the states of affairs. They serve to connect investors with impact companies. Social Stock Exchanges are also known as places where investors can buy shares in a social enterprise that has a mission the investor is excited about, therefore their financial return expectations are very modest as long as there is enough social impact. (Forbes, March 25, 2014)
- **Civic Crowd-Funding** is also a new tool in financing businesses, enterprises or start-ups which work in creating financial return, social and environmental impact. They are mainly online platforms on World Wide Web where many people can donate small or big amounts of money to help a business kick up and launch, provided they produce shared goods that have value to communities. There are many of them on the internet and people use them for very different purposes, but funding social businesses and enterprises is one of their main goals. Civic Crowdfunding is a revolutionary tool in the world of alternative finances where a donor can contribute with as much as they want from the comfort of their homes.

With the dynamics of life and the development of technology on a day to day basis, new types of social finances are expected to take shape and space every new day.

2.2.4 Benefits of Social Finances

The benefits of social finances may vary from one beneficiary to the other one, but in general the access to funds for each company, business or organization which works to bring social change, financial return and environmental protection is paramount to this process. Other benefits may include but are not limited to using alternative funds to help achieve the desired change, not by spending public money or taxpayers' money (Carroll, A. B., & Shabana, K. M., 2010). Very often businesses, enterprises and/or organizations which use social finances can solve a social problem much cheaper compared to the amount of money a government would spend for the same cause. Another benefit that can be listed here is that new players join the game with new ideas and approaches towards addressing, tackling and solving problems in a much easier way than those used by mainstream finances users and beneficiaries. As the approval of a grant by social finances can be both easier and faster, problems tackled by social entrepreneurs may be addressed in a more efficient and adequate way, before said problem becomes a bigger burden to society and the economy of a country.

Although associated with many benefits, social finance should not be seen as “jack-of-all-trades” type of means, nor should it serve the governments as a justification to drop the ball elsewhere when it comes to developing public policy to address pressing problems. E.T. Jackson and Associates Ltd (2012). Social finance offers the potential to foster market-based solutions to social and environmental challenges and problems while using methods other than grants. Social finance is important because it unlocks capital and places it in businesses and projects that address issues like affordable housing, clean water, greater access to education, renewable energy sources, employment, entrepreneurship, etc. It is also important because it provides benefits for the investor and the broader society.

Another important fact that gives social finance an advantage over other traditional ways of financing is the information provided by a 2012 study commissioned by the Global Alliance for Banking on Values³ where it is stated that financial institutions that base their decisions for the greater good, individuals and society as opposed to the maximization of profits are outperforming their competitors in areas such as return on assets, growth in loans and deposits, and capital strength.

³<http://www.gabv.org/our-news/report-shows-sustainable-banks-outperform-worlds-largest-banks>

2.2.5 Social Finances and Islamic Finances

A great similarity between Islamic Finances and Social Finances has caught the attention of many studies, and for a good reason. There is a good connection between Social Finance and Islamic Finance, as many aspects of the latter have a striking resemblance with the first. As stated in the purpose of Islamic banks by the International Association of Islamic Banks (IAIB), “profitability is important but it is not the sole criterion or the prime element in evaluating the performance of Islamic banks. They have to match both between the material and the social objectives that would serve the interests of the community as a whole and help achieve their role in the sphere of social mutual guarantee.” Warde (2000, 2010)

According to a World Bank initiative (known as The Consultative Group Against Poverty – CGAP) some 72% of individuals in Muslim-majority countries are not using formal financial services. Even if financial services are available, people in these countries view conventional products as incompatible with the financial principles set forth in Islamic law (Karim, Tarazi & Reille, 2008)

In response to conventional (western) finance, people in the Muslim world have the following approaches:

- Accept conventional finance,
- Prefer for Shariah-compliant finance, with conventional finance as their second choice,
- Prefer Shariah-compliant finance products exclusively.

There are several different tenets that comprise Islamic finance, such as prohibition of interest which makes it impossible to use traditional microloan models; another one encourages the creation of wealth through equity investment in business activities. However, financial service providers are required to share in risk and they are not guaranteed any returns.

Islam has set some standards, based on justice and practicality when it comes to establishing a functioning economic system, in order to prevent the enmity occurring between different socioeconomic sections. Although gathering of money concerns almost every human being who participates in transactions with others, it remains in a secondary position to the real purpose of human existence according to Islam, and that is the worship of God.

Since Islam teaches that God has created provision for every person He has brought to life⁴ therefore the competition for natural resources that is presumed to exist among the nations of the world is (seen as) an illusion. While the earth has sufficient bounty to satisfy the needs of mankind, the challenge for humans lies in discovering, extracting, processing and distributing these resources to those who need them.

Except from organizing the relationship between the individual and his Creator, between the person and other human beings, between the person and the universe, and even the relationship of the person to himself, Islam also organizes the economic behavior, which is dealt by Muslims as a means of production, distribution, and consumption of goods and services.

The fundamental sources of Islam – the Quran and the Sunnah⁵ provide the guidelines for economic behavior and a blueprint of how the economic system of a society should be organized⁶. Hence, the values and objectives of all “Islamic” economic systems must necessarily conform to, and comply with, the principles derived from these fundamental sources. The Islamic economic system is defined by the Shariah, a network of rules that are both constitutive and regulative. Those rules either create new economic entities or systems, or regulate the existing ones.

The social finance sector can learn a lot from how the Islamic Finance industry has structured and positioned itself globally, especially on gaining from creative financial engineering knowledge but also access a highly lucrative source of funding that has remained somewhat untapped until now. Perhaps one of the biggest setbacks in copying or promoting Islamic Banks or Islamic Finances in Europe and our country is its embededness in religious principles, especially since the stigmatization of Islam and the negative symbolism of world like “jihad”, “fatwa”, and “Shariah” have played a large and negative role in impeding the progress of this blended-value system of finance in many western countries. However, as stated above there is a great deal of similarities to be uncovered between Islamic Finance and Social Finance, especially when taking into consideration their objectives.

⁴ Ar-Ra'd 13:26, Quran: “indeed God increases provision to whom He pleases and straitens it [in regards to others]

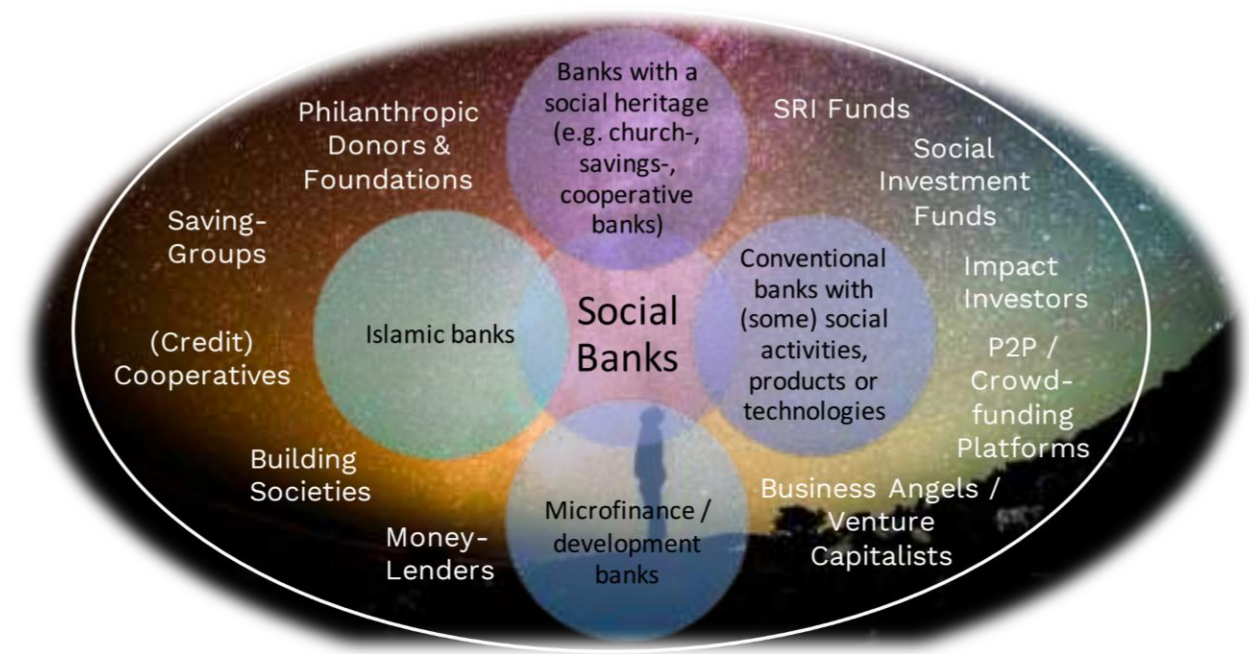
⁵ verbally transmitted record of the teachings, deeds and sayings, silent approvals or disapprovals of the Islamic prophet Muhammad

⁶The Economic System of Islam, www.islamreligion.com, 2013

2.3 The role of Social Banking in Social Finances

It's widely known and accepted that the core business of banks consists of taking deposits, granting loans and providing additional or complementary services for the customers. It doesn't matter where, under which circumstances, or what sort of banking products or investors, they always need to be responsible for their customers, in terms of applying some sort of social responsibility policy.

As economy may often differ from place to place, depending on many social, economical and other aspects, in each situation banks should work according to the situation and the needs of those they serve. And to do so, they need to respond to changes. In order to achieve that socio-economic change, there is an immediate need of "changing the mind". This mind innovating in terms of getting rid of "bad habits" on the one hand and heredity transmission of "good attitudes" on the other hand is of a crucial importance when it comes to educating the mindset on the use of social banks (*Benedikter, R., 2011*)



7

Figure 5: Intro Social Banking by Sanika Hufeland, 2017

⁷ https://www.social-banking.org/wp-content/uploads/2017/09/ISB_17_Intro-Social-Banking_Sanika-Hufeland.pdf

In general, banks play a very important role in the economy. That role can however be contributing to or undermining a sustainable development. Social banking as such is oriented towards the further development of a sustainable economy, by sharing common values they perform according to, such as the triple bottom line (economic, social and environmental service), serving the community and the real economy (enabling new business models), long lasting relationships with clients (understanding their economic activities), self-sustaining resilience, as well as a transparent and inclusive governance.

Social banks acknowledge the systemic role banks have as financial intermediaries of connecting savers and borrowers (*Benedikter, R. 2011*), but they are interesting because they perform this role in a sustainable matter (*Bosheim, Aspevik Siri, December 2012*), by respecting those core values and main aspects which make them stand out. This kind of approach helped social banks outperform conventional banks, in the time of the financial crisis.

The role of “social banking” is to work on satisfying existing needs in economy and society, while considering their social, cultural, ecological and economic sustainability. It also aims to further the common good by generating multiple returns with respect to the aforementioned aspects. The monetary profit is often a frequent prerequisite to guaranteeing the necessary flexibility for pursuing its objectives, as these initiatives and financial institutions put their focus on different aspects of social change and development.

Social banks should serve as tools to make social finances work, to further advance the culture, and to make sure the core aspects of social finances have been met, respected and equally promoted.

2.2.1 What Is a Social Bank? Definitions and Practices

As a result of conventional banks' speculative behavior, many people, firms and states suffered severe consequences caused by and during the financial crisis of 2007 – 2008, which later (in 2009) hit Europe, and became the biggest financial crisis since the Great Depression of the 1930s. Many larger banks were rescued using taxpayers' money, and such bail outs were another reason for growing of public distrust and suspicions at banks' behavior which was highlighted in a very negative way (*Shambaugh, J. C., 2012*).

As conventional banks' main focus is growth and profit maximization, the need for an increased focus on sustainability and ethics in the banking sector was seen as a necessary means for banks to regain the trust of the communities where they operate and conduct business. All this (and much more) brought to everyone's attention the need for more innovative approaches to banking and new channels and ways of connecting those who have the resources to those who need them, to bring positive social and environmental impact and create a sustainable growth that would benefit present and future generations. Hence, social banks became the new attractive tool as a financial institution that will contribute to sustainable growth and the triple bottom line by promoting ethical banking and being connected to social responsible investing (SRI), corporate social responsibility (CSR) and impact investing before considering profits or maximization of profits (*Aguilera, R. V., Rupp, D. E., Williams, C. A., & Ganapathi, J., 2007*).

When it comes to defining the social banking, there are many different ideas about what a social bank is, and what it is not. We acknowledge that a generally accepted definition of Social Banking does not exist, and under the variety of historic origins and underlying values – such a definition most likely cannot exist.

However, there is a common factor within many socially responsible finance organizations which may help us all get an idea of how to define it. Such organizations include “ethical banking”, “cooperative banks and credit unions”, the so-called “new social banks”, “private and community shared development banks,” and “microfinance banks”.

The Institute for Social Banking (*ISB Paper Series 13, September 2014*) also acknowledges that there is no single clear definition of social banking, but they often refer to it as “banking for common good” which may also be a very appropriate way to describe financial institutions that provide banking and financial services with their main objective to bring a positive contribution for all human being now and in the future.

Udo Reifner from Hamburg University has attempted to bring a unifying definition, which is as follows: “Social banking is banking that fights poverty” (Benedikter, R., 2012). This definition is seen as a very narrow one as it excludes the social innovation, environmental and community development, as a much broader sense.

It may also be true if we say that “social banking” describes the financial institutions and services that aim to contribute in developing and prospering of people and planet at present and in the future, by taking into account several impacts. Among those impacts we can identify the focus on social impact, the environmental, cultural and economic in all their levels, thus working to enhance their positive effects for the benefits of all. We must emphasize the fact that money and monetary profit are not seen as end goals for this type of activities, but mainly as means to achieve the desired impact and social change. Social banks focus especially on creating social and environmental value by lending money to companies, projects or organizations that produce such value. Social banks are part of the so-called green economy movement and therefore they are connected to ecological economy because of their focus on current environmental and social challenges.

To better understand what a social bank is, we must differentiate them from the conventional banks which are usually defined as financial institutions that accept deposits from the public and lend them out in order to create employment, development and growth. Conventional banks (without a socially responsible investment focus) aim for profit more than creating a social and environmental value which is a secondary goal to the conventional banks that focus on creating the socially responsible investment. Social banks are the opposite of that when it comes to defining goals, as their main purpose is the social and environmental value, and profit comes second. (Figure 1)

Whatever definition one decides to use, it is very important to know that the definition needs to focus on shared values and missions, rather than differences. (Siri Aspevik

Bosheim, Social Banks and Impact Measurement: The cases of Charity Bank and Triodos Bank, ISB Paper Series 10, 2012, p. 11)⁸

| Characteristics of social banks | | PRIMARY GOAL | |
|---------------------------------|--------------------------------|--------------------------------------|--|
| | | Profit | Social and environmental value |
| SECONDARY GOAL | Profit | Conventional banks without SRI focus | SOCIAL BANKS |
| | Social and environmental value | Conventional banks with SRI focus | NGOs, environmental organisations, UNICEF, etc |

Figure 6-Banks and Impact Measurement: The case of Charity and Triodos Bank, ISB Paper Series 10, 2012, p. 11)

2.3.2 Characteristics of Social Banks

Social banks are in many ways similar to conventional banks, as their behavior and operations are regulated by governmental rules, they provide loans and retail banking services, their risk assessment of the loan is based on financial data and collateral, and the loan is priced according to the interest rate, some social banks also provide current accounts, payment card, internet banking, saving accounts, etc. However one particular characteristic of social banks is the mere fact that they are founded on values of using financial services to create a positive impact on both the society and the environment. Furthermore, social banks provide their banking services through the triple bottom line of people, profit and environment. Their profit is necessary but it is not their main or single goal, as they focus on positive impact, and sustainable human and environmental development.

⁸https://www.social-banking.org/wp-content/uploads/2017/08/Paper_No.101.pdf

Although social banks have some similarities with the conventional banks, there are some core characteristics that differentiate the one from another. Perhaps the most significant differences between conventional and social banks are that the social banks have a strong focus on transparency and a very different approach to profit.

Transparency is a value that strongly characterizes social banks. (Benedikter 2011). Social banks publish the loans they grant so that the stakeholders can assess the lending projects and know who borrows the money.⁹

Merkur Bank¹⁰ for example emphasizes a high degree of transparency where the overall criteria and guidelines for their activities are publically available for everyone to see where their money goes. Merkur Bank has created a digital platform called “my money does well”¹¹ which is in Danish language only.

GLS Bank (acronym for Gemeinschaftsbank für Leihen und Schenken – Community Bank for Borrowing and Gift Giving) is a German ethical bank founded in 1974, the first bank in the country to operate with an ethical philosophy. As stated in their website¹², the work of GLS bank benefits people, the environment and also results in economic profit, and not the anonymous interests seeking capital or maximum profit. Selected companies and projects that work together with GLS Bank can be easily found on their website along with a description of what each one of them is doing with the 2.5 billion euro they borrow from the bank.¹³

ABS Bank (Alternative Bank Schweiz) is a sustainability-oriented bank founded and operating in Switzerland since 1990. Its aim is clearly NOT to maximize profit, but to promote social or ecological businesses and projects. As stated in their website¹⁴ ABS Bank is the financial institution for those who want to know what is happening with their money and how it can be

¹⁰<https://www.merkur.dk>

¹¹<http://minepengegoergavn.dk>

¹²<https://www.gls.de/privatkunden/gls-bank/ueber-uns/>

¹³<https://www.gls.de/privatkunden/wo-wirkt-mein-geld/>

¹⁴<https://www.abs.ch/en/>

put to an even better use. ABS Bank has created the Credit Portraits platform¹⁵ on their website where you can see who borrows the money, why and where do they use it.

Charity Bank (operating in England and Wales) is also a social bank which is not driven by the profit but rather by a shared idea about the world we all want to live in by putting peoples' money where their values are in order to create lasting social change in their communities. In their website¹⁶ you can also find a list of projects and organizations they support, and the data can be filtered by sector and by location.

Triodos Bank N.V.¹⁷ is based in the Netherlands, with branches in Belgium Germany, United Kingdom and Spain. It was founded in 1980, to become a pioneer in ethical banking. Triodos Bank finances companies that add cultural value and benefit both the people and the environment. Even their name shows the triple bottom impact, as the word TRIODOS comes from the greek "τρί ὁδος" – (pronounced tri hodos) which means "three way approach". Transparency is one of their core values, so their stakeholders and everyone else can know at any time where their money goes, by visiting their website¹⁸.

The examples shown above are only few of the many but they are enough to see that there is a very high level of transparency compared to conventional banks which usually classify such information for their official use only.

Another distinction between the conventional and the social banks is the **focus on sustainability through social and environmental values**. Social banks make a contribution to positive social and environmental impact by providing credit to the real economy (by setting social and environmental criteria for this credit) which carries out projects with a social or environmental focus.

Triodos Bank only lends money to organizations that benefit people and environment, by making the money work for positive social, environmental and cultural change. Their business focus is on creating a society that protects and promotes the quality of life of all its members; enable individuals organizations and businesses to use their money in ways that benefit people and the

¹⁵<https://www.abs.ch/de/die-abs-wirkt/kreditportraits/>

¹⁶<https://charitybank.org>

¹⁷<https://www.triodos.co.uk/en/personal/>

¹⁸<https://www.triodos.com/en/about-triodos-bank/know-where-your-money-goes/>

environment, and promote sustainable development; offer their customers sustainable financial products and high quality services.¹⁹

They achieve their mission by connecting savers and investors aiming to bring positive change with entrepreneurs, organizations and sustainable companies who do just that.

Charity Bank only lends to charities, social enterprises and community organizations working for special purposes, such as building affordable homes, launch renewable energy projects, foster peace among young people in divided communities, etc.²⁰

Cultura Bank (Norwegian savings bank) uses its assets on ethical investments, and tells its depositors exactly where their money is invested. The purpose of each loan is evaluated based on social and environmental criteria.²¹

Profitability is secondary, but economic viability of the projects is a prerequisite for financing. One of the Cultura Bank's projects is the establishment of support accounts where part of the interest rate is transferred to one of the organizations like "The Future in our Hands" (advocates green consumption and resource justice), "World Wildlife Fund" (wilderness preservation and reduction of human impact on the environment), "Regnskogfondet" (Rainforest Foundation Norway, protects world's rainforests and secures legal rights of their inhabitants), "Save the Children" (promotes children's rights, provides relief and helps support children in developing countries), "The Norwegian Women and Family Association" (works for better women's and family politics, women's choices, family values, social change in women), etc.

GLS Bank credits sustainability and lends money to cultural social and ecological projects. It was the first German bank that operated with an ethical philosophy.²²

Social banks assess whether a project has a social or environmental value before the financial evaluation, and this is perhaps one of the biggest differences between social banks and

¹⁹<https://www.triodos.com/en/about-triodos-bank/who-we-are/mission-principles/>

²⁰<https://charitybank.org/ethical-savings>

²¹<https://www.cultura.no/english>

²²<https://www.gls.de/privatkunden/gls-bank/gls-nachhaltigkeit/>

conventional banks. This is demonstrated in part by **ABS Bank** (Alternative Bank of Switzerland) whose mission is to place a rational emphasis on sustainability and ethical principles.²³

Cultura Bank is on the same page when it comes to such principles. They only proceed to financial analysis if social or environmental qualities are clarified and met first.

However, these banks also lend money to people who want to pay their mortgages (Cultura 36%, Merkur Bank 30%), and this raises the question if mortgages have a social value. It could be true that part of these loans is for environmental-friendly housing which have an impact on the environment.

As described in Figure 1 above, **lack of profit maximization** is another important difference between social and conventional bank. Both require the projects to be financially sound, but they do not focus on a single goal of profit maximization. Becchetti, L., & Trovato, G. (2011). Social banks may accept lower margins and higher risks to stimulate activities which have a positive impact. It is important to mention that most social banks run profits in their business although that is not one of their main goals, but they do so after taking sustainability into the equation.

These three main differences between social and conventional banks sum up social banks' efforts to focus on the triple bottom line of people, planet and profit

The Radical Affinity Index (Are Ethical Banks Different? A Comparative Analysis Using the Radical Affinity Index, San-Jose, Retolaza, Gutierrez-Goiria (2011) captures differences between social banks and conventional banks, based on four indicators where social banks are assumed to be different from their conventional counterparts. The evidence shows that transparency of information, placement of assets, guarantee systems and stakeholder participation are factors that differentiate social banks from the traditional financial intermediaries (conventional banks, savings banks, cooperative banks).

Social banks usually grow the most in times of financial crisis, when people lose trust in the big banks and move their money to social banks. Scandals involving large banks (such as Barclays Bank in the UK) have made their customers deposit their money at the Charity Bank and Triodos Bank. Becchetti, L., & Trovato, G. (2011)

²³<https://www.abs.ch/de/ueber-die-abs/das-abs-geschaeftsmodell/unsere-ziele/>

Other characteristics of social banks include but are not limited to the gender equality in employment and management positions, organizational structures based on participation, ownership structures preventing dependency of dominant individual interest, pro-active contributions to the public discussion of perceived problem areas, promotion of giving as a central ingredient to development and sustainability, self-perception as an intermediary providing services to depositors and borrowers, etc.

2.2.2 Social Banks – a future business model

Social banking used to refer to sustainable banking, so it is not a very new phenomenon but in regards to the fact that common shared values are now respected, met and promoted (including the triple bottom line of economic, social and environmental service, the service to the community and the real economy, the relationship with clients, the transparent and inclusive governance, etc.) they may be seen as future business models.

The expression has evolved and now it covers banking activities conducted through social networking channels or social lending such as peer-to-peer lending (*Enskog, Dorothee, 2016*)

The banking industry is undergoing significant change. It has been transformed by new technologies put in use (such as digitalization), which make it more convenient for the clients to demand and receive the most current financial information and services. Just like other industries, banking is subject to the same technology-driven change which makes a creator economy possible, with the internet providing a very useful platform for a faster distribution of goods and services, by constantly improving customer service by shaping their very services according to customer experiences and needs. As usage of internet is constantly increasing through utilization of various mobile devices, so is the amount of time we spend online, therefore this becomes a pre-eminent channel for customer engagement.

As nowadays most of the interaction is carried out depending on the client's decision, banks have to respond quickly and in an effective manner to meet such demands and

expectations (*Kalakota, R., & Whinston, A. B., 1997*). Their response must also be adequate to facing the challenges of digitalization, which makes it easier for all sides to interact.

The digitalization has been great help to the development and growing of social banks, especially in Europe where (according to CREDIT SUISSE) the industry is growing in both absolute and relative terms, thus placing Europe “the best in class”, far ahead of any other region. Switzerland, of course, has emerged as one of the market leaders, recording average annual growth of almost 30%.

On the other side, things have changed when communicating with banks. In the past, relationship managers served as the only points of contact of clients with their banks, but with the raise of social media, clients now interact in a much different way. They do now communicate and interact with other clients, their relationship managers, bank experts, etc.

To make the banking experience even more available for everyone, a new sector took off right after the financial crisis when traditional lenders decided to stop providing certain financial products. Technological developments now allow people (clients) to connect online and do business with each other, especially through social lending (peer-to-peer lending, P2P).

With the fast development of information technology and with the staggering growth of digital innovation, the social banks seem to have a very bright future. Their opportunities may cross borders that have never been crossed before, and this future business model may completely outdo the conventional banking models.

2.2.3 Who says banks can't be social?²⁴

As the social media has become a part of our everyday life, our daily behaviour, practices and expectations have changed. As customers, we want to be heard, understood and valued; therefore banks need to play the game by the same user designed rules. Leading banks of the world are already getting on the train by evolving into social banks, but it feels as if banks in

²⁴Deloitte, *one of Canada's leading professional services firms, 10, 2013*

Macedonia have failed to jump in, or they can't reach the pace, yet! A social bank engages with its customers by aligning its core business strategy with its social efforts.

Just to make sure it is understood correctly, the social media fan pages or official pages of the banks are not enough for those banks to be qualified as social banks. Most of these financial institutions saw the benefit of free advertising and connecting to the people through Facebook, Twitter, Instagram, YouTube, (etc.) but some of them went a step forward to introduce products and services that would meet the clients' needs, and at the same time to meet the triple impact of social finances.

As the world changes, so do our behaviours, needs, and expectations. According to information provided in 45% of bank customers visit their local branch less than 5 times a year, 31% more financial customers visit leading social networking sites every year, 92% of the 18 to 29 year olds use social media (Facebook, Twitter, Instagram, YouTube, etc.), 38% of people 65 or older also use social media and of the 50 largest banks in the world 90% are on Facebook and 88% are on Twitter, and they are there for a reason. Not to socialize, not to make friends or like their pictures, but to get their feedback easier, to embrace their voice. The social media insight reports give banks (and other businesses) enough information on what people want, how, when and where do they want it, therefore it makes it easier for the banks (and other businesses) to create, introduce and promote offers which will go directly where needed. Also with the boosting option (sponsoring posts on social media) one may choose their audience through many different filters, and it costs way less than advertising on mainstream media. And it is by far more convenient, because someone watching TV may have left their armchair when the commercials are on whereas people nowadays hold their mobile devices on their hand most of the time.

There is a lot of information on the internet about Social Media Framework for Banks and it is easily accessible. Such framework provides a very important guide to achieving the transition to social bank, by evaluating, planning, strategizing and acting upon customer-focused social efforts. By using social media, banks can do more in regards to social and environmental impacts of their investments and loans.

2.2.4 How to measure the success of social banks?

This can be done with quantitative and qualitative tools, and the core issue is to measure something. The theoretical approach is mostly related to quantitative measures. Social banks are funded on missions of creating social and environmental impact, thus measuring success and mission achievement is related to measuring impact, which is far from straightforward. With impact I understand the “proportion of the outcome” that results from the activity in question (Nicholls et al. 2009, 55). Impact is a relatively vague concept that is difficult to estimate. Throughout the thesis, impact is used as concept illustrating the wider results of the work of social banks. It refers to results such as a numeric output or an outcome experienced by stakeholders. With stakeholders I understand people that can benefit from or be harmed by, an activity or a result (*Crane, A., Matten, D., & Moon, J., 2010*).

2.4 Social Entrepreneurship and its dependence on social finances

Developing mechanisms to allocate capital for social and economic value creation is not something new. There is a long history of faith-based, charitable and mutual cooperation of finance organizations across many countries.

This chapter focuses on social entrepreneurship as a means of achieving social impact, and what kind of role do social finances play in supporting it.

Social entrepreneurship serves to overcome the gap between the business and the public sectors, since it is closely connected to the “non-profit” or to what is known as the “third” sector, as well as to the concept of the “social economy”, in order to serve communities and society rather than generating a company’s profit (*Davidsson, P., & Honig, B., 2003*).

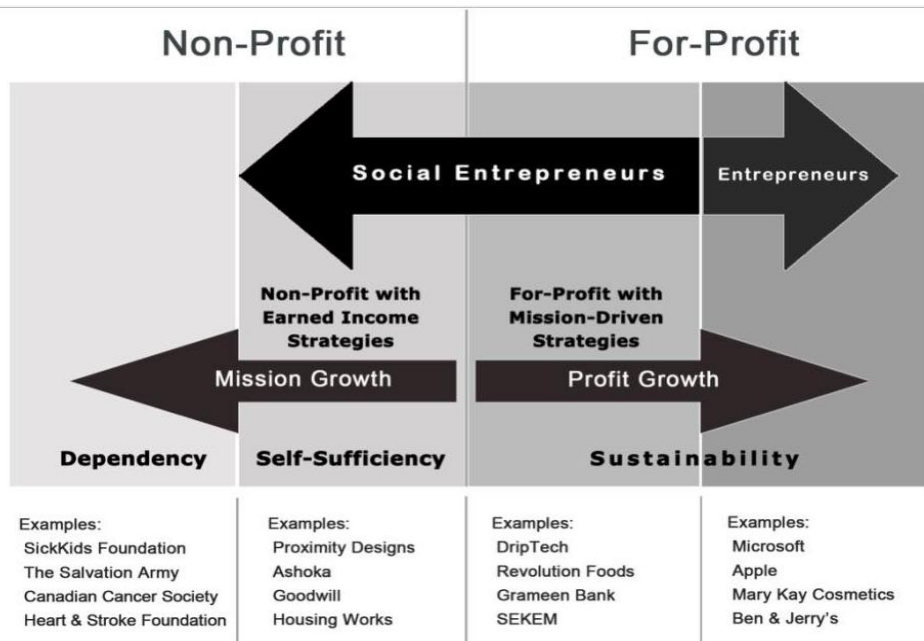


Figure 7-The entrepreneurship spectrum illustrating the boundaries of social entrepreneurship
Samer Abu-Saidan 2012

Social entrepreneurship depends at large on social finances, investments from philanthropists, angel investors, startup supporters, accelerators, venture capitalists.

As a new way of “conducting business” while not aiming for the profit alone, social entrepreneurship requires new and emerging sources of social finances, something that would be called 21st Century Financing.²⁵ To address this issue and other questions related to the “21st Century Financing”, the roundtable considered key questions about identifying new sources of finance to support social entrepreneurship, ways to accelerate the development of social capital markets and the necessary public policy changes to foster a social capital marketplace.

Four sources of social finance were identified:

Existing pools of capital, such as pension funds, union groups, credit unions, banks, foundations, high net worth individuals, investors, venture philanthropists, etc.

Create new pools of capital through community investments, where foundations and other financial intermediaries develop donation or deposit programs for social investors to invest.

²⁵ Exploring New Sources of Investment for Social Transformation, Social Capital Market Roundtable 2, organized by Plan Institute for Caring Citizenship & Tides Canada Foundation with Ashoka and Vancity Credit Union

Leverage existing capital such as using existing assets within non-profit organizations as loan collateral (in-kind contributions like computers and other supplies, buildings, land, etc).

Creating of a new program known as The New Deal for Cities which transfers tax points to municipalities for use in municipal infrastructure, thus encouraging municipalities to develop integrated community sustainability plans that provide for the social capital market.

Regarding the issue of accelerating and developing social capital markets, participants identified the following challenges:

Current economic disadvantage in which CSOs spend time fundraising.

The current financial system in silos.

A disconnection of values with the private and financial sectors, in terms of making sure that civil society organizations retain their values and culture even after partnering with the private sector.

Concerns that we'll be abandoning collective provision of public goods if we consider financial models other than state provisions, i.e. private provision of public services.

Need to come up with ways to price and allocate the risk (who should pay for it, governments, tax system, or high net worth individuals?).

The difficulty to measure social impact: What standards, metrics or indicators will be used?

The difficulty to change status quo: how to make governments move away from central control where they see it as their role to design and deliver social programs and services.

The following opportunities were identified as possible means to accelerate and develop social capital markets:

Development of partnerships, mainly through building of silos and leveraging networks (finding ways to link social capital market with Corporate Social Responsibility –CSR, and Socially Responsible Investments – SRI); through collaboration and co-production of capital market instruments with community, academia, private sector and governments; financial institutions can help influence philanthropic relationship when they are motivated to see the transfer of wealth as a strategic business opportunity.

Determine who does what and why among foundations, private sector, governments, etc.

Identify and support intermediaries and aggregators, determine their future role.

Successful businesses allocate part of their returns to support capacity building and knowledge development through investing in the capacity, growth of operations and management infrastructure.

Change should be driven from the bottom up, while encouraging community, collective and democratic process.

Development of a strong accountability framework where impact is measured approximately, since perfect numbers are difficult to generate.

The following policy changes needed to foster a social capital marketplace were identified:

Transforming legislation from a for-profit/not-for-profit framework to a sustainable and effective framework.

Well positioned tax incentives to be offered to encourage investments in social finance.

Creating a framework that allows organizations to build capacity through capital retention, i.e. a quarter of revenues to be allocated to growth and management development infrastructure.

Create an enabling environment for trustees to consider community investments in accordance with their fiduciary duty.

Create a permissive framework for foundations to support social finance, by clarifying that foundations can provide loan guarantees and other innovative and creative instruments to advance the social capital marketplace.

Negotiate allocation of funds for the articulation of environmental, social, cultural and economic goals.

The participants of the roundtable agreed that a new wave of change-makers, social innovators and social entrepreneurs is emerging in the country and they are pretty aware that good ideas are not enough if they are not capable of going to scale and generate big impact and sustainability. Such initiatives face the challenge of being financed as the traditional funders (governments and foundations) focus on funding short term projects, financial institutions focus on financial returns, while holding back or not supporting enough the momentum, critical mass and tipping point which is required to advance transformative social change. That is why these social innovators are in a hurry to find new sources of capital, financiers with “patient capital” who value both financial and social returns. Thereof, social capital markets became new models of investment, the new architecture of social finance, while developing funding pools and social investment instruments in order to diversify risk, spread cost and scale-up returns. On top of this, tools to improve the information flow between investors and social innovators were developed.

In order to meet the rapidly growing needs of the social sector for financial support, as well as to encourage and support durable, scalable and impactful social innovations, two priorities were set:

Reforming current funding policy and practices of government, financiers and foundations; and
Developing new sources of capital.

With the amount of giving in increase and the number of donors in dropping, growing demands on non-profits to lead social innovation and provide services required creative thinking on how new social capital could be made available to the sector (*Moore, M. L., Westley, F. R., & Nicholls, A., 2012*). To advance the non-profit agenda it was necessary to build new opportunities to share and knowledge on social financial capital while finding ways and means to advance collaboration in the sector. It was also necessary to identify and accelerate new and emerging sources of capital while policy changes would enable social capital markets.

2.4.1 Defining social entrepreneurship

Defining social entrepreneurship is not easier than defining social finances. Indeed, both concepts need a lot of work done to have them properly defined.

Along with its increasing popularity has come less certainty about what exactly a social entrepreneur is and does.²⁶ As a result, all sorts of activities are now being called social entrepreneurship. Some say that a more inclusive term is all for the good, but the authors argue that it's time for a more rigorous definition. (Martin, Osberg, 2007)

The most comprehensive and widely used definition on social entrepreneurship is published by the British government in the document "Social Enterprise: A Strategy for Success" (2006): "A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners".

²⁶ See characteristics of social entrepreneurship and social entrepreneurs below

Basically, the concept of social entrepreneurship relies on the two words it contains: “social” and “entrepreneurship”, thus Dees (1998) suggests that the definition should be explained through the meaning of these two terms. The term “social” usually refers to attitudes, orientations, or behaviors which take the interests, intentions, or needs of other people into account. The term “entrepreneurship” is a term that defines the management form (mindset and behavior) in these sectors and it is not necessarily related to making profit or the business forms. Dees, J. G. (2017). In the other hand, Roger L. Martin and Sally Osberg of the Stanford Graduate School of Business argue that any definition of the term “social entrepreneurship” must start with the word “entrepreneurship”. The word “social” simply modifies entrepreneurship. If entrepreneurship doesn’t have a clear meaning, then modifying it with social won’t accomplish much, either. Martin, Roger L. & Osberg, Sally (2007)

While experts will continue the struggle to define social entrepreneurship, the hopes of its beneficiaries remain that this activity will expand and increase to help them achieve the social impact.

Social entrepreneurship is defined (here) as the practice of responding to market failures with transformative and financially sustainable innovations aimed at solving social problems. These three essential components are:

- 1) Response to market failures,
- 2) Transformative innovation and
- 3) Financial sustainability (Wolk. Andrew M., 2009)

2.4.2 Characteristics of Social Entrepreneurship

The main characteristics of social entrepreneurship, outlined in diverse theoretical resources, are:

- Organized according to entrepreneurial principles and legislations;
- Socially and environmentally responsible;
- They have a clearly defined social mission to create and sustain social value and to benefit the communities;

- Create jobs (and retain existing ones) for people from socially vulnerable categories;
- Distribution of profit is made for the purpose of reinvestment into the society (to solve social problems, sustainability of civil society organizations). Profit is directed for the improvement and sustainability of the enterprise itself;
- Investment in the development of employees' capacities and their systematic education;
- High degree of economic risk and autonomy in activities related to producing goods and/or selling services;
- Pursuit of new opportunities and exploration of hidden resources to serve that mission;
- Quest for sustainable models, based on well elaborated feasibility study;
- Ongoing engagement in innovation, adaptation and learning;
- Decision-making power not based on capital ownership;
- Participatory and collaborative nature involving various stakeholders;
- Employees are often co-owners of the enterprise and the distribution of profits is done in accordance to this principle;
- Limited distribution of profit and minimum amount of paid work;
- Change opportunities lying in the hands of every individual.

Furthermore, the social enterprise can be identified on the basis of several criteria. On one side, we have four economic criteria: a high degree of autonomy, a continuous activity producing goods and/or services, a significant level of economic risk and a minimum amount of paid work. On the other side, we have five social criteria: an explicit aim to benefit the community, an initiative launched by a group of citizens, a decision-making power not based on capital ownership, a participatory nature that involves the persons affected by the activity and a limited profit distribution. However, we must say that these nine criteria are not necessarily meant to be met as immediate conditions, in order for an initiative to be labeled as a social enterprise. They rather define an "ideal type" or an abstract construction that enables to position oneself within the "galaxy" of social enterprises (*Defourny, J., & Nyssens, M., 2010*).

2.4.3 Characteristics of Social Entrepreneurs

What is a Social Entrepreneur? What drives one to conduct not-for-profit business? What is their motivation on doing socially oriented projects? How are they different from traditional entrepreneurs? These are some of the questions people raise when they hear the term social entrepreneur.

In order to answer these questions we must say that the character of social entrepreneurs is an inner drive to produce change in society and communities. Their ultimate goal is not the monetary profit, but instead they focus on creating social value, and causing improvements for a community or individuals.

There are two main researches dealing with the motivation and the character of social entrepreneurs. McClelland, D. C. (1987). London (2008) discusses how social advocacy acts to drive individual social entrepreneurs. Litzky et al (2010) discusses social entrepreneurs and argues that they are driven by a passion for implementing ideas, which sees them apply innovative, problem-solving approaches to solve social problems and prepared to go outside traditional ideologies – all of which pushes them to take clear risks that other entrepreneurs would not.

The traits that set social entrepreneurs apart from well-intentioned individuals and organizations have been noted by Hwee and Shamuganathan (2010), who suggest that social entrepreneurs weigh the importance of social vision, sustainability, social networking, innovativeness and financial returns differently, while acknowledging that traits are influenced by socialization and education (*Cooper, M. (Ed.),2015*). Additional factors that describe a social entrepreneur have been identified by Ruvio et al. (2010), in an article which focuses on entrepreneurial leadership vision in not-for-profit versus for-profit organizations, where they have identified certain factors that describe a social entrepreneur, while comparing entrepreneurial leadership vision in not-for-profit organization versus for-profit organizations, and highlighting significant differences in the meaning of the vision social entrepreneurs articulate (*Ruvio, A., Rosenblatt, Z., & Hertz-Lazarowitz, R.,2010*). This dialogue is relevant because of its focus on what drives a social entrepreneur while emphasizing the fact that the true engines of change are not just passionate

about making big money, but creating change in a non-traditional business manner (*Lundström, Zhou, von Friedrichs & Sundin, 2013*)

This dialogue is of a crucial importance when it comes to the focus on what drives a social entrepreneur, and that the true engines of change are not just passionate about making big amounts of money, but instead set out to create change in a non-traditional business way.

It is worth to mention that there are several common characteristics that are shared between social banks and social entrepreneurs. Social entrepreneurs address social issues with the utilization of innovative approaches towards achieving such goals – and social banks do this as well. Another shared characteristic is that both social banks and social entrepreneurs have a focus on societal change, creation of social value, the view of money as a tool rather than a goal, and they are mission oriented instead of aiming for the profit before everything else. However, social banks create impact indirectly through lending activities whereas social entrepreneurs create impact directly through their business activities.

2.4.4 Different types of social enterprises

Before going into details about the types of social enterprises, it is worth mentioning the differences between them and the commercial enterprises in three different aspects (*Austin, J., Stevenson, H., & Wei-Skillern, J., 2006*).

The first one would be the purpose of establishing the enterprise. Social enterprises aim to solve existing (defined) social problems whereas their commercial counterparts are usually established for the sole profit of the owner or the management.

The management is the second aspect that distinguishes social enterprises from commercial enterprises as in the first case we deal with a democratic management in contrast to the owner management which is more specific for commercial enterprises.

The third aspect is what happens to the profit the enterprises make. Social entrepreneurs are all about reinvesting the profit in the community, by creating more quality jobs, by solving more social problems and issues, by establishing more social enterprises. Commercial entrepreneurs however tend to transfer the profit to the owner of the enterprise.

There are many different types of social enterprise business models and structures which vary according to their core purpose, ownership, management structure and accountability, including:

- **Community Enterprises** serve a particular geographical community or community of interest and have representatives from the community on their board of directors.
- **Social Firms** aim to integrate people who might otherwise find it difficult in the mainstream job market, such as people with learning disabilities or mental health problems.
- **Co-operatives** are organization owned, controlled, and run for the benefit of their members.
- **Credit Unions** are community based financial institutions providing savings and loan facilities for their members.
- **Community Development Finance Institutions** are providers of loans and other types of investment primarily for social enterprises and other small businesses.
- **Development Trusts** are community enterprises which aim to develop a community, usually through the ownership and management of property.
- **Public sector spin-outs** are independent social enterprises set up to deliver services (which are also known as 'externalized' services) that were previously provided by public sector organizations.
- **Trading arms of charities** set up to undertake trading activity in order to raise money for their charity parent company e.g. charity shops, catalogues, training and consultancy.
- **Fair Trade organizations** are committed to ensuring that producers are paid a fair price for what they produce.

Other types of social enterprise include businesses with social objectives as central as their economic objectives.

Social entrepreneurship: Foreign Experiences Macedonia can benefit from

The prospects of getting a job in government or with an established company are becoming less appealing and less likely for the droves of well-educated young people produced by Macedonian universities. Unemployment in Macedonia has stood from an all-time high 38.70% in 2005 to a

record low 22.10% in the third quarter of 2017.²⁷ Although figures have improved, Macedonia is not a place where young educated people would love to live and work, as the unemployment rate lists Macedonia on the 49th place of 51 European countries (including Kosovo and the Vatican as non-UN member states).²⁸

As a result of this, around 60,000 citizens of Macedonia have fled the country over the last six years, and have obtained permission to stay in or become EU citizens.²⁹

Tetovo is the leading cities of brain drain, as many young people, especially with medical degrees choose to move to Germany or other European countries where the need of medical staff is at rise, and the pay is ten times higher than in Macedonia. According to financialobserver.eu more than one fourth of Macedonians with higher education live abroad.

Despite the fact that in 2016 Macedonia was ranked number 1 in Western Balkans and 10th best in the world by Doing Business³⁰, the level of quality of life of ordinary people in the country does not confirm that. In contrary, the big number of citizens choosing to emigrate tells a different story.

This is all due to the lack of good funding for young educated people to support their start up initiatives, or the lack of market perspectives thereof. Although a big number of multimillion businesses exist in the country, there sense of philanthropy is a poor one, and most of them do support charity on an annual basis. This may be as a result of their lack of interest to help others raise and grow, or perhaps the lack of formal education and information in regards to social entrepreneurship possibilities and general benefits.

In a situation like this, other donors come forward and present their offers to young educated people who would not work for the central or local government and/or for some of those well-established corporations that may not fulfill young people's dreams and expectations. These are usually international donors who choose to support social projects whether carried out by non-profit organizations, civil society organizations or other types of socially responsible entrepreneurial activities.

²⁷<https://tradingeconomics.com/macedonia/unemployment-rate>

²⁸https://en.wikipedia.org/wiki/List_of_sovereign_states_in_Europe_by_unemployment_rate

²⁹balkaninsight.com/en/article/eurostat-data-reveal-exodus-of-macedonians-01-29-2016

³⁰<http://www.doingbusiness.org>

As the need of more funding is on the rise, and the number of donors is shrinking due to a growing need in other parts of the World, Macedonia needs to seek and find new channels of funding for supporting such initiatives. The creation of EU-backed venture capital funds that will support start-up initiatives could perhaps give some hope to all those young people who are fighting the dilemma of staying here and risking it all, or moving abroad and having a brighter future. The Greek example of 2012 proved as successful when start up growth outpaced expectations although the evolution has had its growing pains with a dearth of experienced investors (*Palaiologos, Yannis .,2014*)

Another interesting example of boosting start up comes from the United States, where amidst the issues of whether the government should or should not be involved in the accelerator business, the “Ohio Third Frontier” program also proved as a very good example, but luckily it was not the only one (Hurt, R. D.,1998). There are hundreds of accelerators in the U.S., without government funding, being run as entrepreneurial ventures for profit by entrepreneurs. Bradley Feld of Techstars (a worldwide network aimed at helping entrepreneurs succeed) argues that their initial investment of \$230,000 (in 2006) returned over two times (in 2008), thus encouraging them to expand further in the United States. Not before long, Techstars surpassed their wildest expectations by running over 10 programs a year for over 100 start-ups all over the U.S. And it was all privately funded.³¹ Furthermore, he argues that the government does not need to figure out how to fund startups if entrepreneurs can’t.

However, Ohio Third Frontier (a technology-based economic development initiative and a part of the larger Ohio Development Services Agency) has been committed to transforming the state’s economy through the accelerated growth of diverse start up and early stage technology companies (WikiPedia). This \$1.6 billion project was meant to re-energize Ohio’s economy by investing in emerging technologies, and it has had a bipartisan support of a compromise resolution by state Senate and House of Members. Ohio’s Third Frontier has a proven track of rapid and sustained job creation. According to an independent analysis cited in MedCity News the project created an economic impact of \$6.6 billion, 41,300 jobs and a return of state’s investment of 10 to 1 in its first seven years. Vanac, Mary (2010) Another analysis that was carried out by the Third Frontier’s commission and advisory board predicted that the project

³¹<https://www.inc.com/brad-feld/government-shouldnt-be-in-the-accelerator-business.html>

would likely pay back US taxpayers by 2014 with just sales and payroll taxes generated by businesses and industries it helped.

Even though there were people who asked “Why should the government support entrepreneurship? Isn’t it best to let the private sector handle such investments as this is what they do best?” the success of Ohio Third Frontier was a clear signal that public money need to be put in use to support innovative startups and job creation in the private sector, as it will benefit society and the investment will return. Before Third Frontier, Cleveland (Ohio) was ranked last (62nd) friendliest city in the US to entrepreneurship. In 2015 however, Cleveland improved much better by ranking among 50 entrepreneurial friendly cities in the world. Most precisely, Cleveland ranked 34th in the world, following Dallas (Texas) and Daejeon (South Korea), thus becoming a hotbed for innovation and entrepreneurship (*Pledger, Marcia 2015*).

Another good example to be followed by Macedonia would be the Start-Up Chile, a public start up accelerator created by the Chilean government for high potential entrepreneurs to invest and work in this South American nation (*Applegate, L. M., Kerr, W. R., Lerner, J., Pomeranz, D. D., Herrero, G. A., & Scott, C., 2012*). It mainly lures entrepreneurs from abroad who bring their knowledge and experience to the country, and create jobs for the local population. The Chilean government helps such entrepreneurs with \$40,000 of equity-free funding. Brazil, Colombia and Peru backed similar programs, as they were proven successful. In three years (2010 – 2013), Chile accepted more than 750 companies, a quarter of them from the United States, which received the funding but also had their business owners move to Chile for six months and mentor local entrepreneurs, hire local employees, train them as much as possible, speak to students at universities, as a social return. Although only 15% of the companies stay longer than six months, the program’s executive management believes that is not a problem, as they grow a global entrepreneurial network with ties to Chile, and it also encourages local entrepreneurs apply for funding (*Lobosco, Katie, 2013*)

After considering many successful stories, and being aware of the existence of failures in the same, one might ask if the government of Macedonia should care about encouraging entrepreneurs and venture capital investors. Why? Can Macedonia save its brain?

It is of paramount importance that money goes to where money is made. In times when private funds are not usually put in circulation to invest in supporting startups, creating new jobs and opportunities, it would be a good idea for the government to step in (following successful stories

of Ohio, Israel, Singapore, Chile, Spain, Greece, etc.) and use public money to help new initiatives grow, expand and make profit for a successful return.

Chapter three: Research Methodology and research results

3.1. Research methodology

The content of this paper has been partly collected from existing studies and work of many renowned scholars and institutions around Europe and the World. Used resources include but are not limited to books, newsletters, various reports from different organizations and institutions, media articles, workshop and conference attendances as well as official data from the websites of financial institutions mentioned herein. Most of the content has been generated based on the materials and the experiences shared through the many case studies and workshops attended. The classification of the materials has been done according to both relevance and specifications of each topic covered herein.

Case Studies have been carried out through many direct meetings with subjects interviewed for the purpose of this study. Some other subjects have been contacted via electronic mail, by submitting questions for the other party to respond to. The respondent rate is at about 70% successful, whereas some 30% of those contacted have failed to deliver the requested information initially agreed upon.

Collected materials have been read and analyzed against the reality on the ground in Macedonia, further analyzed against the general culture of the people and business etiquette while at the same time being compared to the reality on the ground in Macedonia, and thus analyzed if the existing knowledge can be adopted and used in our country.

The overall process of preparation, collection of data, technique establishing, processing and analyzing of the data as well as the composition of this master thesis paper has taken place for 15 months during 2017 and 2018.

3.2. Research results

In this paper there are described seven institutions which were interviewed and they are shown below in case studies form such as: First study: Lice vs Lice (face to face), the second study is: Nega+, then it is “KULLA E JETIMIT” (The Orphan’s Tower), Arno, Solem and Albiz foundation.

3.2.1. CASE STUDY one: LICE v LICE (face to face) Street Paper

Street paper “Lice v Lice” (face to face) has been established in September 2012. It is a program developed by the Association for Research, Communications and Development “Public” from Skopje, and does not constitute an independent legal entity. This paper represents a pioneer of the social enterprises in the country because it helps to empower the less fortunate of our communities, and at the same time it has a positive influence on the public awareness in terms of social inclusion. It contains articles that promote the sustainable development, the environmental protection, etc. Hence, our slogan “buying face to face you can help many, reading face to face you help yourself”.

The paper sells for 100 denars, and from each sold copy the sellers retain half of it for themselves. 40% of the income goes to the printing fund and for the support and development of educational and inclusive programs, whereas 10% of the income is distributed to the organizations where the sellers come from. Such organizations work directly with vulnerable and marginalized persons. All street sellers are part of the vulnerable and/or marginalized groups of our communities, and this job helps them reach economic and social empowerment.

As mentioned above, Lice v Lice is funded by the 40% income (for the printing purposes), but many companies, donors and foundations have responded to the challenge to help the paper. Each new issue of Lice v Lice holds a different story of financing, and each new issue is sponsored by a different foundation or donor.

This project does not necessarily aim to become self-sustainable. Instead it wants to further develop the brand. They would consider the project to be sustainable when all parties (institutions, businesses, corporations, citizens) will recognize the mission and will be interested to become part of this “brand for a better society” as the bearers of this project like to call the street paper.

Apart from employing people from vulnerable or marginalized groups, Lice v Lice at the same time influences positively in their self-confidence, includes them in different educational and inclusive programs, but also has an influence on the inclusion of the society as a whole and its potential to change the habits and promote values. Aside from selling the paper, the sellers also have the chance to communicate with the buyers and others, very often they make friends with their customers.

There is nothing similar to Lice v Lice in Macedonia – it is a unique model of social enterprise as a printed media outlet. In general PUBLIC provides constant support through various activities – by offering space in the paper, by promoting them through our social media pages. PUBLIC is one of the key organizations that contributes to an enabling environment that encourages growth and development of social enterprises, through research and management of social enterprise within the organization. PUBLIC was also involved in advocating for the shortcomings of the proposed legal framework for organizing social enterprises, we have a number of research activities, and in parallel we are also providing mentoring support and training to strengthen the capacities of potential and existing SEs.

Challenges: PUBLIC is constantly working to overcome the obstacles we all have as a society in general, - discrimination, breaking stereotypes about the abilities of the marginalized (that they can't do this, can't do that)

Changing our habits is also a great challenge - we are changing the habits that the system has plagued over the years or those where the carelessness has left the voids.

3.2.2 NEGA+

The Health Education and Research Association (HERA) from Skopje have recently established a social enterprise for home-based care giving for ill and elderly persons which is known as NEGA+. This enterprise distinguishes from traditional forms as it has a social mission, which is supporting and assisting Roma women in their employment, thus improving their social status, well-being and livelihood while providing professional services to senior citizens and ill people.

The profit generated by this enterprise is exclusively earmarked for covering the monthly income of Roma women who are employed by this project, and part of the profit goes for operational costs that are needed for a smooth and quality delivery of these services. All employees received proper training, tutorial and practical work training in order to gain knowledge of basic medical care to provide to those in need. As part of their training they had to stay at the nursing home, where they experienced patients with different diagnosis and needs, therefore they gained skills to recognize the first symptoms of the illness; they learned when it is the proper time to give medical aid. Part of their learning also included taking of the vital parameters, such as blood pressure and glucose level. What HERA learned from this training was that professionalism is not linked to the ethnic background, skin color or societal status of those who deliver it, but it takes great love and compassion for what they do as professionals. Once the training is completed, all candidates must take their final exam. The successful ones have been awarded certificates.

Apart from the medical side, Roma women have also been trained on how to prepare high quality meals, and how to administer therapy on a regular basis.

They say that this job is not easy, lots of attention is needed, lots of understanding and strength. All these challenges serve them as a stimulus to be there, to assist the elderly. Some of the employees have gone a long time unemployed, and NEGA+ gave them the possibility to contribute to the community while making a living.

3.2.3 “KULLA E JETIMIT” (The Orphan’s Tower) is a social project that operates in Kosovo, since February 1st 1999, right after this European nation came out of a devastating war, as part of a Humanitarian Organization known as KALLIRI I MIRËSISË located in Prizren. The beneficiaries of this organization are the most sensitive part of the society – the orphans who come from Prizen and other cities in Kosovo such as Peja, Gjakova, Prishtina, Mitrovica, etc. This organization has a very religious background, as their main inspiration is the most famous orphan in the world, prophet Muhammad (pbuh), and most of their funds come from majority Muslim countries such as Saudi Arabia, Turkey, Malaysia, but also countries like England. Local funds have also been put in use.

For the last 15 years the main activities of this organization have been in three main areas:

1. Social support for orphans and their families who benefit money, food, clothing and hygienic products.

2. Education of orphans, especially in computers and English Language courses.

3. Various activities, such as field trips and summer camps.

The work with the orphans is constantly on the rise and so are the positive results they achieve. Most of the students we have helped through our projects are now graduated in different fields, such as medicine, architecture and different sciences.

“Kulla e Jetimit” is a good launch pad towards the success of many orphans.

On another hand, it is worth mentioning that the 95% of the food served at Kulla e Jetimit is organic, and all profit goes to meet the necessities of the orphans as well as for maintaining the facilities.

Most of the orphans that are under our care live in their homes, or with their closest relatives. They often become a valuable part of the operations in “Kulla e Jetimit” where they get trained to work in restaurants, kitchen, and get paid for their duty.

According to Kulla e Jetimit management, the orphans that have been under their care and helped by all or any of the three areas of their operations have seen a significant upward social mobility.

3.2.4 ARNO

The Association for Development of New Options (ARNO in Macedonian) is an association for social innovation established in Macedonia in August 2013 with a special mission to develop and implement social innovations and promotion of new options and a modern approach to change in society. ARNO’s mission is to develop and support social innovation through designing new options in digital creativity and diverse social initiatives³² developed by active and independent citizens that work together and contribute in a further development of the community and the society, and the positive social changes. ARNO’s vision is to shape the future by sharing resources and inventing new approaches towards the positive social change. Some of the most important and successful ARNO projects can be found below:

³²: <http://www.arno.org.mk/en/>

3.2.4.1 A CLOSER LOOK AT SOCIAL ENTERPRISE – UK(2014, 2015, 2016, 2017, 2018..)

As part of a working stipend to one of the founders of ARNO (Irina Janevska) granted by the UK Embassy in Skopje, ARNO developed a summer campaign which aimed to promote the mission of Social Enterprise Mark of the United Kingdom.

Through interactive tools, this summer campaign aimed at promoting the concept of social entrepreneurship to the wide public in the Great Britain. ARNO also designed visual solutions and integrated a facebook survey for the needs of this campaign.

3.2.4.2 YOUTH PROFESSIONAL KITCHEN – NEW TECHNOLOGIES FOR SOCIAL BUSINESS

As part of a UNDP program for Youth Social Entrepreneurship “Youth as agents for development of the community”, ARNO in partnership with YOUTH CAN, Professional School for Catering and Hospitality Services “Lazar Tanev”, implemented the project “Youth Professional Kitchen – New Technologies for Social Business”. The project is among the first ones to promote the concept of youth social entrepreneurship.

The project produced two websites and mobile applications (mojketering.mk, coolinari.mk and mobile applications mojketering and receptko), in an effort to upgrade the catering service offered by the school, and to promote the students in the labor market. Twenty students (cooks) were the main beneficiaries of this project, who were trained in CV writing, basic business skills, introduction to the social entrepreneurship model, the use of social media and motivation trainings.

3.2.4.3 PHILANTHROPY FOR GREEN IDEAS

Philanthropy for green ideas³³ is an annual competition that seeks to support the development of local and sustainable small business ideas in the Western Balkans, in countries like Albania, Kosovo, Macedonia, Montenegro and Serbia. The term “green ideas” relates to the ideas that contribute to the environment, utilize local community resources and that contribute towards a sustainable development (integration of the local, economic, social and ecological needs and priorities of the communities). The competition is supported financially by the Rockefeller Brothers Fund from the USA.

³³<https://www.philanthropyforgreenideas.org>

From the start of the competition in 2015 when ARNO began to administer the competition on a national level, Macedonia receives its first regional winner (OUR GOOD LAND). In 2016 another Macedonian project (SPIN) wins, whereas in 2017 the winners from the country raise to two (ECO ILLUSIONS and FOOD FOR ALL). Each of the winners is awarded \$10,000 grant to implement the green business idea. ARNO monitors and evaluates the process and also it connects the winner ideas with other supporters.

3.2.4.4 STUDENTS TODAY, RESPONSIBLE ENTREPRENEURS TOMORROW (STRET)³⁴ Students from Macedonia, Croatia and Lithuania learn to promote the social corporate responsibility and philanthropy within the project “Students today – responsible entrepreneurs tomorrow”, funded by the National Agency for European Education Programs and Mobility through the Erasmus+ program. The project is implemented by ARNO in partnership with Professional School for Catering and Hospitality Services “Rade Jovcevski – Korcagin” from Skopje, Gymnasium “Lisdeikos” in Lithuania, “The First Dessert Gymnasium” in Croatia and “Out of the box” from Belgium. The project aims to upgrade the existing programs of entrepreneurship in schools, promoting the concepts of philanthropy and social corporate responsibility while teaching the young students about the new business models of social enterprises.

3.2.5 SOLEM (Association for support of persons with disability)

SOLEM is an Association for support of persons with disability and was founded in 2008, but it began working actively in 2011 when the association started offering services to the Creative Center for Occupational Therapy and Occupation of Adults with Intellectual Disability. It is currently employing four people, some of them persons with intellectual disability. In 2014/2015 SOLEM began with their first attempts to transform the Creative Center into a Social Enterprise.

SOLEM focuses to work together with adults with intellectual disability on their education, encouragement and empowerment, with the sole purpose of them exercising their human rights and greater involvement in society.

³⁴http://stret.eu/?page_id=64

Their main goal is to provide motivation for persons with intellectual disability to be employed in the open labor market and to enable sustainability of SOLEM. Right now, their Handicrafts4u³⁵ brand is not powerful to employ and to keep it sustainable. When it becomes self-sufficient, the idea is to increase the employment of people with intellectual support.

Apart from their social business model (handicrafts4u), SOLEM also fulfills its goals through computer workshops and self-advocacy and self-determination workshops.

3.2.5.1 Handicrafts4u

The goal of this project is to improve the personal involvement of persons with intellectual disabilities in the society.

Handicrafts4u practices the social enterprise concept. Buyers of handicrafts4u made products support the financial independence of persons with intellectual disability and Association SOLEM`s sustainability. Their products include business cards cases, cell phone holders, ankle straps, photo albums, notebooks, etc.

According to SOLEM representatives interviewed for the purpose of this study, they will become fully self-sustainable in 7 years. Currently they are being funded by product sales and foreign donors.

In terms of self-determination workshops, SOLEM holds the idea that every person has a right of freedom to opinion, stance and beliefs. Every person has the right of freedom of choice and to make decision for his/her life. Self-determination covers topics like: self-advocacy, employment, health care, aging and independent living. A self-determined person can make his/her own choices, sets life goals, speaks up for himself/herself, takes charge of his/her life, learns to accept responsibility for his/her actions and choices, follows through his/her preferences and interests and contributes to the society.

SOLEM qualifies as a social enterprise because it employs persons with intellectual disability. They usually hire such persons that have been unemployed for a very long time, and they get a regular payment for the job they do. This also affects the public awareness of the consumers for the possibilities and the skills of the persons with intellectual disability. In addition, through their

³⁵ *Handicrafts4u is a brand created through excellent cooperation between product designers, artisans, assistants and persons with intellectual disabilities*

projects SOLEM encourages such persons to believe in their skills and to seek for jobs in the private sector.

However, there have been challenges in terms of finding business partners for cooperation. SOLEM cooperates with only few companies from the business sector, those that understand the specific needs. Another challenge is the awareness rising among companies, organizations and all other actors who are potential clients of SOLEM in ordering and purchasing their products. To achieve this, SOLEM offers affordable prices for every customer.

The idea of handicrafts4u is the production of specially designed products made SOLEM's beneficiaries, and intended for the business sector as advertising material. These hand-made products are very unique.

SOLEM recommends that similar initiatives need to believe in their mission, endurance, flexibility and creativity.

3.2.7 AlBiz Foundation

AlBiz Foundation as a non-profit, independent institution has been established in March 2011 under the name DAUTI Foundation, from the owners of a local company "Dauti Komerc" in Skopje. On its fifth anniversary, the Foundation came up with some statutory changes by expanding the founders from the original to one to fifteen companies that decided to join the concept, and made a commitment to fulfill the mission of promoting and supporting the concept of corporate social responsibility. At this time the Foundation was renamed and rebranded in the actual name it carries today, AlBiz Foundation.

The purpose and the main goals of AlBiz Foundation is to become a leader in promoting the corporate social responsibility and philanthropy through organizing and promoting educational, economic, social and cultural platforms in the communities where they operate. These make up the three main aspects of their working strategy: platform for education, platform for culture and sport, and social and humanitarian platform.

Apart from the numerous activities, including but not limited to scholarships for students, different trainings for young people, cultural development platforms, charity work, human values promotion, AlBiz Foundation has also worked in supporting philanthropic activities.

Their mission and main goals are achieved through different activities like:

- Scholarship awards for good students;
- Developing a non-formal education through training, courses and workshops;
- Supporting the culture through creative cultural events, supporting activities of the associations that work in culture and art, supporting different cultural activities, whether planned or not;
- Supporting sport clubs and sport associations in their activities, events, projects;
- Supporting social projects and activities as well as the development of economic activities;
- Organizing and carrying-out many humanitarian activities, in terms of providing social assistance to the financially and economically challenged families and households, to the health and educational institutions, provision of humanitarian aid to vulnerable groups including food, clothing, footwear, hygiene, linen, etc);
- Assisting certain population groups in solving infrastructure problems;
- Enabling cooperation among domestic and foreign institutions that work in the same field(s).

Some of the 2017 completed projects of AlBiz Foundation have been listed below:

- Education: 200 scholarships for high school and university students, 2 editions of a workshop called “Success Stories” (hosting members of the national academy of science and art), communication trainings, skill improvement in employment and presentations training;
- Culture and sports: publishing of 3 books, financial support for publishing of 2 other books; Poetic evenings – March 21st, International Poetry Day; five-a-side football school league (futsal).
- Charity and social care platform: charity actions delivering 470 care packages; ad-hoc social assistance; project aiming to help flooded areas in Albania.
- Construction of a school building in Slupcane (Kumanovo).
- Project for renovation of elementary schools in Saraj municipality.
- Program for internship and practical work for students.
- Tailoring courses.

- Project for financial sustainability of NGOs in cooperation with the business sector.
- Institutional grant provided by Civica Mobilitas: Public Relations training; fundraising training; strategic planning workshop 2017 – 2020; ethical behavior code, etc.

To this day Albiz Foundation has not worked in supporting social enterprises as it has not been part of their strategy. However, the new strategic plan (2017 – 2020) has included this element. As of March 2018 Albiz Foundation has contracts pending to sign with the EU office authorities in Kosovo to begin a project of developing 20 social enterprises (10 in Macedonia and 10 in Kosovo). Albiz will provide these enterprises with training, mentoring and other necessary preparations. Some of them will also be delivered technical support to start their businesses. Companies that put their capital into Albiz Foundation are given the freedom to choose the amount of capital they want to invest in the projects and the program of the foundation. It's all based on the "good will" of every company.

Albiz is a non-profit organization that helps the growth and further advancement of society by promoting social responsibility and philanthropy. They do not have a direct return of their investment as their vision is to see long term sustainable results in social development.

Chapter four: research analysis

4.1. Case Studies Summary

Social enterprises have been around in our market for a longer time, although they have not been officially recognized as such legal entities in absence of a particular law that regulates them. At no time has this fact been an obstacle for them to carry out their services, create and promote social values, social impact, help in solving social problems that the state institutions have failed to address and deal with accordingly.

They have employed persons from the marginalized groups or those belonging to financially challenged groups and families, those mainly living on the edge of poverty. These organizations have created many jobs, educated and trained many persons with physical disability. Furthermore they help orphans, offer scholarship for pupils and students from the poor families; they generate profit to re-invest it in their organizations afterwards or to start new projects. The

subjects studied in this paper are all ready to register as social businesses once the law will make it possible and they will continue and further increase their work intensity. The significant drop of the number of foreign donors for such projects increases the emergency to create profit that will guarantee them sustainability.

The new law will offer new opportunities and will promote social business concept in Macedonia on a whole new level, which will serve as an appeal to start many new social enterprises and more training about it at the same time. Hopefully, the new law will also offer new tax cuts for businesses and companies that will donate to start ups, new social enterprises, and make it possible for many existing enterprises to shift from the practices of charity to the more beneficially philanthropy.

However, obstacles exist in terms of the absence of law which would clearly define the beneficiaries. An abuse of funds appears to be an additional problem that cannot be easily addressed or solved, as no law regulates this at the moment. The lack of general knowledge, education and culture about social enterprises as well as the unawareness of businessmen about such opportunities is another obstacle that needs immediate attention.

Challenges to be overcome are on the way of social economy. Many foundations chose to offer charity (in goods and money) rather than offering jobs to those in needs. Many of the social enterprises have not developed any tracking tools to follow up on those they have helped, thus there is a lack of information regarding a possible upward social mobility of their beneficiaries. Some social enterprises (operating as NGOs) offer their services for a relatively high price thus making it unaffordable for those who need such services. Another challenge that needs more attention is the environmental impact which is often seen as irrelevant by some of these subjects. Projects like "Reuse of Tarpaulin Waste for Bicycle Promotion", "Make it Matter Macedonia", "Recycle and Get a Bonus" would be necessary to address the environmental aspect of the social economy.

Almost all social enterprises presented in the case studies have received grants and knowledge from foreign foundations which have shown a big interest in developing the social economy in Macedonia (and the whole Balkans). Foreign economies have seen the benefits of social engagement in making business; therefore the strategy used by such enterprises has caught the attention of big donors. Many of the entrepreneurs have been educated and trained in different European countries and have been under the mentorship and monitoring of their donors. Many

of them continue to get new trainings, especially in becoming self-sustainable as the number of such donors is dropping significantly every year.

Perhaps some of their biggest achievements are their success to employ persons with disabilities, encourage improvement of self confidence among such persons, offer quick and effective help to ill people also accompanying and socializing with them. Such persons have been offered jobs to sell products that finance the services they receive (Lice v Lice case study), which does not only bring financial gain to them, but also it puts each and every one of them in daily contact with people who get informed, recognize the need and become aware that people with disabilities can do something to make a living.

Social finances seem to have a bright future and perspective in Macedonia because it is expected to help young people get employment (in a similar way as in other European economies). This concept will help unemployed young people to create their jobs, address social problems in an innovative approach. As young people are mainly more aware about environmental issues, they will also have the opportunity to consider a bigger care about the environment on their work. The state on the other hand will benefit from having social enterprises address and solve problems that public institutions have failed to. It will cost them far less and it will encourage businesses to invest more money on creating new jobs and employment opportunities in the country, which will decrease the unemployment rate and increase the general welfare and ensure a cleaner living environment.

4.2 Why should we use Social Finances in Macedonia

As a new nation, the Republic of Macedonia is still in the group of developing countries. As of 2016, our country's GDP (purchasing power parity) is \$30, 27 billion which puts Macedonia in the 129th place in the world. GDP (per capita) is \$14,600 ranking the country as 110th in the world. With a labor force of 950,300 (2016 Est) the unemployment rate is a high 23.1%. Some 21.5% of the population in Macedonia lives below poverty line. (CIA World Fact book, September 2017).

The government of Republic of Macedonia for a long time has been identified as the biggest employer, as many young and educated people fight hard to get a position in the public administration. On the other hand, the government of Macedonia (at least until the first quarter

of 2017) has been working towards creating a more convenient and positive climate for foreign investments, but not much has been done to support and motivate local and national entrepreneurs in their mission.

On the business sector, many big companies put a lot of money on charity but a very little amount goes to philanthropy and social business investments. It is felt as there is a significant lack of education and awareness among the wealthy business owners towards putting their money back to circulation by investing in new start-ups, or by helping existing companies grow their assets and capacities.

Macedonia would benefit a lot from social finances as there is a lot of potential in the country, but proper legislation should be passed and implemented so that donors would get their tax cuts or deductions and get involved in helping new and young entrepreneurs kick off with their innovative ideas.

Considering the environmental protection part of the social finances aspect, Macedonia has been stepping backwards as many large companies have failed to deliver accordingly. The new government (took office on May 31st 2017) seems more interested to force companies abide to and comply with the environmental legislation, but that remains yet to be seen and proven.

Another very important reason why Macedonia should use and focus on promoting social finances is to prevent a further brain drain from the country. 29% of university graduates live abroad and 85% of final year university students consider their future beyond the border of Macedonia. They are mainly driven away by low salaries, economic instability and very few chances for career improvements. (MINA, 2013). So far the government has made little to improve the working environment and fulfill the expectations of those looking for a better future in the country, therefore social finances remain as a hope to halt the ongoing brain drain from the country.

4.3 Social banks in Macedonia

As a relatively small country, Macedonia has some 16 banks registered as being licensed by the National Bank of the Republic of Macedonia. None of them are clearly classified as social banks, although some of their products may meet the requirements to be described as such.³⁶

Below, you will find some information about each of those banks; the closest products offered that would qualify them as social banks, as well as their mission, vision and objectives as stated on their websites.

Silk Road Bank offers the so called green eco loan with 4.4% interest rate, with no application cost, no bank provision and 6 months grace period. The amount they offer varies from 200 EUR to 10,000 EUR and it is meant to meet the bank's devotion to the concern for the nature apart from clients' wishes and needs, as it is stated in their website. These low interest rate loans may be used for investment in solar systems, thermal insulation, innovation in heating and cooling, roof insulation, and other devices and systems that work on renewable energy resources. It is provided for physical persons (not legal entities) of age 18-70, who are employed (or retired with an active pension) for the last 12 months. Loan tenor expands from 6 – 84 months, and the fixed interest rate for the first year applicable from the first disbursement varies from 4.90% (up to 3000 EUR), to 4.40% (above 6000 EUR).³⁷

HALKBANK A.D. Skopje states that it has a significant reputation and recognition as a trustable, customer oriented, innovative and growing bank on the Macedonian market. According to information provided by the bank's website the image of the bank is being fulfilled by the perception of a company that is, as well, social and eco responsible. HALKBANK AD Skopje was established in 1993 in Skopje, and since then it is reported that it has constantly given its support to many socially concerned segments, including sports, culture and environment. In order to help people increase the energy efficiency in their homes, HALKBANK has offered the market an Eco Loan, in amount from 500 EUR up to 100,000 EUR, with a maximum term of up to 240 months,

³⁶<http://www.nbrm.mk/ns-newsarticle-list-of-banks-licenced-by-the-national-bank-of-the-republic-of-macedonia.nspix>

³⁷https://silkroadbank.com.mk/l8xq_h29.html?lang=en

grace period of 6 months, with a nominal interest rate of 5.5% and annual rate of total expenses of 6.29%.³⁸

EUROSTANDARD Bank has been created as a result of the vision of its shareholders and founders who have foreseen, as they say, the necessity of establishing a new type of bank in this area. In their website it is written that they are different from others by providing efficiency, flexibility, integrity, and customer orientation. The President of the Board of Directors, Mr. Nikolche Petkoski claims that they are working on getting close to the clients' needs and follow the latest banking trends and highest standards in order to provide safe, legal and quality services. Although they offer some special purpose loans (mainly for the purpose of purchasing vehicles, housing, shopping and tourist services), they do not promote any type of loans which would give them the honour to be known as a social bank.³⁹

Sparkasse Bank Makedonija AD Skopje (part of Steiermärkische Sparkasse , Austria) provides a wide range of banking products and services to meet the need for support and development and financial services for retail and corporate clients. According to them, Sparkasse Bank is committed to offer attractive and sustainable solutions to clients. Furthermore, they say they are responsible for the success of their clients and the contribution to the community. Apart from their cooperation with civil society organizations in several environmental projects, such as RECYCLING PROJECT "SAY YES" and the "SOCIAL IMPACT AWARD", there is not "social" to be found in their products and services.⁴⁰

Capital Bank AD Skopje is a bank that specializes in offering a variety of bank services for micro, small and medium companies, public financing, corporate financing, real estate purchase, financial operations, domestic and international payment as well as private and electronic banking. It has been noted that Capital Bank helps financing different social projects, such as the SOS CHILDREN'S VILLAGES OF MACEDONIA, the National Council of Gender Equality, and Macedonian Red Cross. As of November 6th 2017 the Capital Bank offers the Super 5 Loan with a

³⁸<http://www.halkbank.mk/home.nspk>

³⁹<http://eurostandard.com.mk/en/>

⁴⁰<https://sparkasse.mk>

fixed interest rate of 5% for loans up to 5,000 euro. This bank does not qualify itself as a social bank.⁴¹

Komercijalna Banka AD Skopje is a privately owned highly profitable institution in Macedonia. They offer a range of services and with a strong international reputation supported by well trained and market oriented management and staff. This bank has been funded in 1955 as Komunalna Banka of Skopje, but since then it has rebranded several times. Komercijalna Banka is a universal bank offering a wide range of banking activities such as deposits, loans, approval of legal entities and citizens, services at domestic and international payment and other activities in sale of foreign currency. As stated in their website, this bank holds as dear and sacred their corporate values which are built through direct communication with clients, respecting their individuality and offering them safe and quality service. Such values reflect the beliefs of all their related parties – customers, employees, shareholders and partners. In addition to this, Komercijalna Banka believes they are a socially responsible company that always work and shall work in terms of improving the quality of living in the society for all members thereof. They have received numerous awards that recognize their social responsibility. Yet, Komercijalna Banka is not classified as a social bank.⁴²

Macedonian Bank for Development and Promotion is also a bank in Macedonia that has as a main objective the promotion of export through providing credits and other forms of support for the development of small and medium enterprises, by providing investment credits, insurance of claims, etc. Their strategic goal is to provide support and to incite development of the Macedonian economy through providing finance to small and medium-sized enterprises and export oriented companies. This bank operates pursuant to the strategic policies, goals and the priorities of the Republic of Macedonia under supervision of the Ministry of Finance. Their activities include financing the development of the Macedonian economy, financing of infrastructure, providing support for small and medium-sized enterprises, instigating exports and environmental protection, as well as supporting the regional development. With some 40

⁴¹http://www.capitalbank.com.mk/Web/3A_HAC.aspx

⁴²<http://www.kb.com.mk/Index.aspx?lang=2>

employees, this bank which as established 20 years ago may be the only bank in the country that meets the criteria to be seen as a social bank. An update on this will follow in the next chapters.⁴³ **TTK Banka AD Skopje** was originally founded in Tetovo in 1961 as Komunalna Banka Tetovo to transform a year later into Komerčijalna Banka Tetovo. A decade later it merges with Stopanska Banka Skopje. A history of merging and cooperation between different banks and branches all over Macedonia makes it possible for the foundation of TTK Banka in 2006. As of 2016 it is owned by Teteks in Tetovo (49.37%) and other shareholders with share under 5% (50.63%). TTK Banka constantly undertakes activities to respond to customer needs and market conditions by improving quality of products, introducing new products, as well as offering existing products with new benefits, with the aim of providing maximum support for their customers. They proudly present themselves as the leader of the corporate social responsibility practices in the country after defining their social responsibility strategy in 2013. Although their credit rates vary a lot, they do not classify themselves as a social bank.⁴⁴

NLB Banka AD Skopje is one of the 16 members of NLB Group, located in Slovenia. Other members are all over Balkans, Croatia, Bosnia and Herzegovina, Kosovo, Serbia, and Montenegro. According to their website, the care about the common good represents one of the highest priorities in their system of values and it is therefore an integral part of their working policy. They claim to be committed to improving and advancing the overall quality of the life of individuals, families, institutions and organizations in the country, by supporting projects of charity, culture, sport, science, education, environmental protection, children and youth. They also support organizations and initiatives that advocate respect and equality, business ethics and humanism, thus creating value for the society and contributing to the strengthening of social cohesion. Their offers do not include any loans or credits for energy efficiency projects, or anything in particular that would qualify them as a social bank.⁴⁵

⁴³<http://www.mbdp.com.mk/index.php/en/profile>

⁴⁴<http://www.ttk.com.mk/default-en.asp>

⁴⁵<http://www.nlb.mk>

Ohridska Banka AD Skopje is a universal banking institution that offers a wide range of services in the country and abroad. It has been operating for around 60 years, but it was only in 1995 when the bank started to operate as an independent financial institution, with a clear vision for development and efficient management. Among many rewards and certificates, Ohridska Banka has received the Corporate Philanthropy Award for a large national company in 2008 and the Recognition for Socially Responsible Practices by the Ministry of Economy of Macedonia in 2009. As a member of Societe Generale Ohridska Banka took part with a team from Skopje in the Citizen Commitment Games in Paris in 2014, competing in table tennis and football with some 630 participants from around the world. In regards of loans, Ohridska Banka offers an adequately conceptualized package of products for financial support to grow and develop businesses. They take pride in offering a widely diversified quality portfolio of loan products tailored to meet investors' specific requests, individual needs and wishes.⁴⁶

Pro Credit Bank AD Skopje is a development oriented commercial bank. Their products are suitable for small to medium enterprises as they are convinced such businesses create jobs and make a vital contribution to the economies in which they operate. Private individuals who would like to save can also find suitable products in Pro Credit Bank. Their core principles of operations include transparency in communicating with customers, they do not promote consumer lending, they strive to minimize their ecological footprint, and they provide services which are based on understanding of each client's situation and on sound financial analysis. The business ethics of Pro Credit Bank are based in six essential principles, such as **transparency** in informing the customers, so that they can fully understand the terms of the contracts they mutually conclude; **a culture of open communication** as stated above; **social responsibility and tolerance** by offering clients well founded advice, by assessing clients' economic and financial situation before offering them loans; **service orientation** is where Pro Credit Bank employees and management take special care and interest, regardless of the background or the size of the business they are working with; **high professional standards** and a **high degree of personal integrity and commitment**. According to their business ethics in their website, Pro Credit Bank does not issue loans to enterprises or individuals if it is suspected that they are making use of unsafe forms of

⁴⁶<http://www.ohridskabanka.mk/home.nspix>

labour, especially child labour. In the same list are the enterprises whose activities may have a negative impact on the natural environment and to the society in general (footnote).⁴⁷

Furthermore, Pro Credit Bank is among the only banks in the country that have built an ECO STRATEGY (environmental standards, eco actions), offer ECO LOANS (for businesses, for households and for organic production) and provide energy efficient solutions by advising customers on energy saving improvements, energy-efficient heating, etc.⁴⁸

Centralna Kooperativna Banka AD Skopje is a financial institution in Macedonia, part of Centralna Kooperativna Banka AD Sofija in Bulgaria. They operate in Macedonia since 2008, and since then they claim to be the largest investor in the country. Their vision is to become one of the best big banks in the country and a secure constructive partner of their clients. By financing small and medium-sized enterprises, their mission is to create long lasting relations with their clients. They offer different loan packages, including business initiatives, start ups, growth, development, student loans, agricultural loans, etc. A further study may bring a different perspective, but according to the information provided in their website, this bank is a mainstream commercial institution.⁴⁹

Stopanska Banka AD Bitola dates back from 1948 when it was mainly operating in the city of Bitola, but eventually they grew and expanded their operations in other cities as well. Stopanska Banka Bitola is a legal entity which operates as a shareholders' company and works mainly in providing banking products and solutions to their clients. As profit is their main goal in their vision, Stopanska Banka Bitola cannot be qualified as a social bank.⁵⁰

Stopanska Banka AD Skopje is a bank with the longest tradition on the Macedonian market. Operating since 1944, it set the foundations of the banking, and according to the information provided on their web site they are still the leader in the development and implementation of the most sophisticated financial products and services in Macedonia. It strives to provide new opportunities to their customers by introducing financial products and services that respond to their constantly changing needs. They offer housing loans, consumer loans, with 0%

⁴⁷<http://www.procreditbank.com.mk/content/pdf/Exclusion%20List.pdf>

⁴⁸<http://www.procreditbank.com.mk/home.nspix>

⁴⁹http://www.ccbank.mk/за_цкб_ад_скопје.aspx

⁵⁰<https://www.stbbt.mk>

administrative fees, electronic banking services, international payment operations, mobile banking operations, phone banking services, ATM banking, etc. They do not seem to offer any loans or financial products that would qualify them as a social bank.⁵¹

Universal Investment Bank AD Skopje has promoted itself as a leader in the group of medium-sized banks in the Republic of Macedonia, through creating and implementing of various innovative products and services to meet the requirements and needs of their clients. Their social responsibility is promoted through taking an active part in the creation of corporate social values and supporting the youth, sports, culture and art. They also offer a variety of products and services, including different loans with interest rates depending on the amount of loan and repayment periods. They have also introduced a loan for energy efficiency especially to enterprises investing in projects that will contribute to the energy saving, replacement of the existing sources with alternative energy sources, etc. Since the size of loan depends on client's needs, the interest rate and the repayment period changes accordingly. No other information or the overall interest rates introduced hints that this bank can be qualified as a social bank.⁵²

As part of this master thesis paper, a questionnaire will be sent to many financial institutions in Macedonia to find out more about what they do in regards of responding to the social challenges, and meeting the triple bottom impact. The information will be introduced in one of the following chapters of this paper.

⁵¹<http://www.stb.com.mk/home.nspX>

⁵²<http://unibank.mk/en/categories/naslovna>

4.4 Social Entrepreneurship in Macedonia

According to a research carried out by the Center for Intercultural Dialogue (CID) as part of their IPA funded project “SHIFT: towards online and offline entrepreneurship community”, the social entrepreneurship is poorly represented in Macedonia, as the country does not have a legal framework yet, thus there are no social entrepreneurship practices in the real sense of the concept. Aleksovski, David (2017)

However, there are several organizations that do what social enterprises are known to do, but those organizations cannot be qualified as social enterprises as such legal entity in Macedonia does not exist yet. More on such organizations will follow on the case studies.

Good news is on the horizon as the government of Macedonia is considering investing more interest in social economy. Social Entrepreneurship is considered to be the future of Macedonia’s economy as the new government approaches the issue with seriousness and want to contribute to the employment of certain vulnerable groups of people, but also contribute to the real economy. The Minister of Labor and Social Policy of Macedonia, Ms. Mila Carovska believes that Macedonia needs social entrepreneurship to develop and provide social services, not only to create jobs.

Given the lack of legislature on this matter and despite the fact that many believe that adopting a law will be a piece of cake, the country is taking serious steps in developing a strategy before adopting a law by the end of 2018 or maybe even 2019. A so called “eco space” is being created by both the Ministry of Labor and Social Policy, and the Government to make sure social enterprises are safe and also to give time and space to central and local government units to define terms and conditions of becoming customers of services and products offered by social enterprises.⁵³

The strategy should make sure a quality law is adopted in order to have a successful implementation of the concept of social entrepreneurship which will help reduce the unemployment, have a local economic growth and development, protect the environment and reduce the pollution in the country.

The EU-funded project “Fostering Social Entrepreneurship” (May 2016 – November 2017) established the first database of social enterprises in Macedonia, built better communication

⁵³Mila Carovska, Minister of Labor and Social Policy, November 7th, 2017, Final Conference of EU-funded project “Fostering Social Entrepreneurship”.

tools, helped grow capacity and networking between all institutions, helped in creating social entrepreneurship policy, worked towards strengthening the potential of existing social enterprises in the country. According to the “Fostering Social Entrepreneurship” project team leader Barbara Sadowska (Barka Foundation, Poland) the objective of this project was transforming civic association into entrepreneurship organizations.⁵⁴

Macedonia is currently on the phase of preparing the social entrepreneurship legislature according to the Polish experience, based on their good practices exchange, mutual collaboration in establishing mechanisms for stimulating cooperation between social enterprises and municipalities where they can become service providers, youth entrepreneurship to stimulate the younger population in developing business ideas as self-employment opportunities, and follow-up prospects in keeping continuity of the processes of social enterprise establishment in Macedonia. It is also recommended that a common market with private companies should be built to help social enterprises become sustainable, and also legislation on social enterprises should be put in place, access to finance and support structures are seen as crucial for social enterprises’ development. (Fostering Social Entrepreneurship report, November 2017, p. 9 – 10, p. 62)

According to the findings of the abovementioned report, the Polish government supports Social Enterprises mainly because:

- their main goal of social economy is professional and social integration of people at risk of social exclusion;
- social enterprises are creating quality jobs, in particular at the local market;
- they are also operating and creating jobs in areas where traditional businesses have failed to do so;
- social economy entities are big contributors to the development of local communities;
- social economy entities are viewed as providers of social services of general interest;
- social enterprises perform economic activities;

⁵⁴<http://www.mia.mk/en/Inside/RenderSingleNews/61/133952186>

- social economy entities employ at least 50% of people from groups at risk of social exclusion or 30% of people with a moderate or severe disability;
- Shareholders do not get any profit distribution or any surplus;
- Management is arranged according to the democratic principles.

12 different organizations from Macedonia gained support during the project: APH, Ljubeznost, Arno, Solem, Astarta, Kulturna riznica, Sonce, Misla, Forum 16, Macedonian Red Cross, Banka za Hrana and Albiz Foundation.⁵⁵ European Union Supporting the Development of Social Entrepreneurship, Skopje, April 6th, 2017) In order to find out more about the sustainability process of the beneficiaries, this study will later cover the cases of five of them: Arno, Kulturna Riznica, Sonce, Banka za Hrana and Albiz Foundation.

Smart Start (December 2015 – April 2019) is another important project co-financed by the European Union that supports civil society impact through social entrepreneurship and innovations in Bosnia and Herzegovina, Serbia, Montenegro, Macedonia and Turkey.⁵⁶ “Centre for Research and Policy Making”⁵⁷ is their project partner in our country. As part of this project, 50 civil society organizations were selected (in the five partner countries) to be awarded a start-up financial support as part of the project’s objective to strengthen long-term financial sustainability of the CSOs selected. Another objective was the improvement of social enterprise-friendly environment through networking of CSOs and other stakeholders, while conducting five national advocacy campaigns. Furthermore, the project was designed to promote CSO social entrepreneurship and to encourage replication throughout the civil society sector in the region by sharing of information, lessons learned and by promoting good practices in CSO self-financing and social enterprise.⁵⁸

Some of the innovative ideas focused on solving social problems with the communities in Macedonia which were shortlisted as finalists for the best social innovation idea presented by Smart Start were the following:

Make it Matter Macedonia – aims to coordinate local resources in creating products combining recycled material, from the hands of people with disabilities from the public institution Special

⁵⁵https://eeas.europa.eu/delegations/former-yugoslav-republic-macedonia/24287/european-union-supporting-development-social-entrepreneurship_en

⁵⁶<http://smartstart4u.org/about>

⁵⁷<http://www.crpm.org.mk>

⁵⁸<http://smartstart4u.org/about>

Institute of Demir Kapija and local unemployed women. These products are to be sold in the local market, and all the profit is to be reinvested in the continuation of the implementation of this concept by bringing uniquely designed products.

Recycle and Get a Bonus – aims to collect the used cooking oil from households in order to protect the environment and provide a financial benefit to people who will do so. Machines that will collect the oil will be placed in supermarkets in different municipalities.

GARB (Interactive Eco Mobile App) – is a mobile application that will offer a set of services for different target groups (public institutions working with waste collection and management), city services, etc. The application serves to map waste locations, where users can define type of waste and condition of the containers, locating illegal dump sites and create events of waste collection.

One Can Make It Work – is a platform that helps single parents connect, find jobs, create job opportunities, train with NGOs and educational institutions in order to improve their skills to be prepared in a very challenging job market in the country.

Reuse of Tarpaulin Waste for Bicycle Promotion – carries the idea of using waste material to produce designer urban and travel bicycle bags. The market for these bags is within already established local shops, especially those selling bicycles.

The high rate of unemployment, poverty, long-term unemployment, inadequate waste management, polluted air, the abandonment of rural areas, the lack of recognition of the potential they offer impose the need for the development of social enterprises. In this context, it is important to have different actors that work on developing several of the ecosystem components, such as research, capacity building, establishment of networks, public policies, enabling access to markets for social entrepreneurs, etc.

Since 2014 and on there have been several attempts to create a legal framework about the social entrepreneurship but to this day, the social entrepreneurship in Macedonia is still “in the fetus” where the law is still being discussed, drawn and waiting to be adopted and eventually implemented.

Furthermore, no regulatory framework exists to regulate the employment of disadvantaged groups⁵⁹ in Macedonia, although a Law on the employment of persons with disabilities is at place, which regulates the special conditions and benefits for employment and work of the said category, and also offers support to establish and ensure the functioning of sheltered companies which employ persons with disabilities⁶⁰. However, this law gave space to a massive fraud by employers who were attracted by non-repayable funds, establishing companies and organizations that employed persons with disabilities only fictively, and shut down their operations once the funds were gone.

With the youth unemployment and brain-drain being a worrying and growing problem in the country, the Government (and its social partners) has been working to prepare and introduce an Action Plan on Youth Employment⁶¹. The current Action Plan is for the period 2016 – 2020⁶², and it promotes more and better jobs for young men and women, job creation by the private sector and facilitates the transition of young people into the world of work, aiming job increase, job quality and productivity increase, with special focus on vulnerable groups of the population.

The constitutional and legal basis for developing the concept of social enterprise in Macedonia exists, and it has been stated in the strategy for cooperation between the Government and the civil sector (2012 – 2017), as a third strategic priority⁶³. There are hundreds of social enterprises in the country but they are all registered⁶⁴ as non-governmental organizations, civil society organizations, civil associations, etc. Their income is very low, with most of them making an annual turnover of about 10,000 Euros. The good news is that there's a very positive climate to support the social entrepreneurship in Macedonia, as people recognize the role that social entrepreneurs have in overcoming few social, economic and environmental challenges, and especially applauding their mission to address and solve the said problems, and bring about

⁵⁹*(In the Macedonian policy context, disadvantaged workers are not recognized as separate category. According to the State Statistical Office, only following categories are known as "labor force": unpaid family workers, early school leavers, persons with low educational attainment and discouraged persons)*

⁶⁰*(Such sheltered companies must have more than 40% of their workforce from the persons with disabilities group).*

⁶¹*(the first Action Plan was prepared in 2012 for the period 2012 – 2015)*

⁶²*(The National Employment Strategy of the Republic of Macedonia 2016-2020 is the basic current document which contains the main mid-term challenges of the labor market and the strategic goals and objectives that refer to the period up to year 2020)*

⁶³*(Economic development and social cohesion with a clear goal to develop social economy, share the idea that social economy can be a model for sustainability for CSOs)*

⁶⁴*(most social enterprises function as entities registered under the Law on Associations and Foundations, Law on Cooperatives, Law on Agricultural Cooperatives, and Law on Employment of Persons with Disabilities)*

changes in those fields. However, a lot more needs to be done in connecting the social enterprises with the financial institutions, to ensure social enterprises are not seen and treated as if they were mainstream commercial enterprises, just as any other profit making business. Although social entrepreneurs may create profit, it is of a big importance how that profit is shared, whether it goes in creating more jobs, solving problems and needs in local communities, etc.

On the other hand, a number of active measures were introduced by the Macedonian government as part of the country's efforts to reduce unemployment. Some of the measures (Public, 2017) in the operational plan for 2017 follow below. Public, (2017)

- Developing entrepreneurship program for self-employment, and program for self-employment of persons with disabilities;
- Subsidized employment programs (for support of the growth of small and micro enterprises to generate new employment); program for conditional remuneration for subsidized employment of people living in social risk; subsidized employment of unemployed persons through exemptions from payment of contributions and personal income tax; subsidized employment of persons with disabilities; program for support of fast-growing companies; financial support for the opening of private kindergartens; and financial support for the opening of private elderly care homes).
- Trainings at work place with subsidized employment; Trainings in professions in short supply; Training to meet labor market demand by private training providers; Training in advanced IT skills; Internship programs;
- Other pilot programs - pilot programs for youth, targeted to specific local needs;
- Employment services (job search assistance; motivational training; job intermediation services, services for employers; employment and Work Preparation; career counseling and professional orientation);

With many efforts and programs to introduce the social enterprise concepts, social entrepreneurship and social economy to the people of Macedonia, the public knowledge about these possibilities remains underdeveloped and limited at large. Educational and promotional programs and projects need be undertaken in order to raise the popular awareness and readiness to embrace this concept of development for the future of the country.

Chapter five: conclusion and recommendations

As Macedonia is new to the concept of social economy, social finances and social entrepreneurship, the country's top priority in this direction would be the development of a suitable eco-system for the social enterprise initiatives, before adopting a regulatory framework. Some specific recommendations for Macedonia, as well as policy and operations recommendations follow below:

According to the Association for Research, Communications and Development "Public" from Skopje the main priority of the country should develop a strong foundation in 2017 – 2020 for a robust social enterprise sector in Macedonia, based on research evidence, having a strategy supported by action plan, and establishing an independent body (institutional or non-institutional) that will be in charge of the social economy in Macedonia. (Nurturing social enterprises in active labour market policies framework for inclusive local growth in Macedonia, by Public, 2017 p. 38) The development of operational business support structures for social enterprises should also remain among the key priorities, as it shall enable an effective partnership with the private sector.

Key stakeholders in Macedonia should be mapped and classified as per their position, role and responsibility, as well as create a National Platform of stakeholders to ensure participatory approach and ownership of the process. Such National Platform could be presented as a national data base with information about social enterprises and other forms of organizations, including but not limited to non-governmental organizations that perform commercial activities, cooperatives, protected workshops and companies, etc.

Define social enterprise by developing and adopting an official definition that will be used in the country, in order to make it more useful for further promotion and understanding of this concept. Although a constitutional and legal basis for developing the concept of social enterprise exists in Macedonia, there is still need to see it built and developed even further, with the aim to contribute toward the development of enabling policy and support measures (to employ disadvantaged groups). Some amendments in the existing legal framework for social enterprise development are more than necessary.

A regulation of the labor and social welfare is needed to mainstream the work integration of marginalized groups through social enterprises, as a policy review could at large enhance the capacity of social enterprises to employ, activate and build the capacity of marginalized groups to enter labor market easier.

Social enterprises should be given advantage to participate on public tenders but at the same time precautions need to be taken to protect other entities (mainstream enterprises) from the potential unfair competition of social enterprises.

Introduction of more favorable fiscal frameworks by initiating support measures and social security deductions, reduction of indirect taxes, tax privileges and subsidies, especially in regards to donations and investments received.

Define donor support for social entrepreneurship in line with the increased capacity of existing and potential social enterprises.

Establish umbrella organizations that will encourage pilot projects on social enterprises.

Public awareness events should be organized. Those could include but should not be limited to study visits, round table, workshops, conferences, trainings, informative sessions, etc. Different relevant institutions and stakeholders need to be informed about the importance of social entrepreneurship.

A national strategy for social entrepreneurship should be defined in accordance with the law, which will define measures to support social enterprises, in both central and local level where needs and involvement of local stakeholders will be incorporated.

Best examples should be identified and their information needs to be shared with the public, in order to achieve a more efficient operation of all stakeholders involved.

A learning structure should be developed to provide expertise and support to the managers of the social enterprises, by (1) working with schools to introduce the concept and support their efforts in establishing social enterprise, (2) working with universities to develop courses and introduce social enterprise into the curriculum of faculties of social sciences and business schools); (3) develop learning materials, web pages, delivery of business and management trainings, dissemination of information (etc) in cooperation with the consultancy agencies, business and non-profit consultancies for social enterprises; (4) support the establishment of learning groups, forums, networks, platforms, partnerships, etc. (DEVELOPMENT AND

IMPLEMENTATION OF THE SOCIAL ENTERPRISES CONCEPT IN MACEDONIA, published by Center for Institutional Development, Skopje, March 2011, p.135)

Adequate institutional framework and capacity building needs to develop (lead bodies should be established by some Ministries, or at least some independent bodies that will assist and lead the process of developing and supporting social economy in Macedonia).

A strategy for the development of social enterprises should be developed based on research carried out on the capacities of existing social enterprises in Macedonia, as there is a lack of field information and monitoring mechanisms that would be helpful in drafting the proper policy framework.

A network of social enterprises should be established, as it could make it possible for establishing new start-ups, enable their effective functioning thus contribute to the growth and strengthening of social enterprises. Also a Social Enterprise Center should be established, in order to help start-ups and new enterprises in capacity building, academic training and connect with other actors of the eco-system.

The Ministry of Economy and the Fund for Innovations and Technology Development (and other institutions as well) should establish funding possibilities for social enterprises, and set up criteria that would demand and ensure social impact is achieved. Public funding should be strengthened to support the establishment and operation of the social enterprises, through micro financing, loans, grants, investments, etc. Also, it is crucial to create additional risk funds that will support social entrepreneurs in times of crisis.

Social Enterprises should be labeled and certified as such, in order to safeguard quality and increase trust for clients.

A set of supportive structures is needed to encourage establishment of financial bodies, to provide information about opportunities and seed capital; to provide technical support during the application process on grant competitions; to support the market positioning and trading of social enterprises (access to public procurement market); to establish a system for measuring the social impact through indicators, monitoring process, etc; to motivate the donor community by organizing meetings, lobbying activities, recommendations, donor conferences, etc).

Current and future social entrepreneurs should invest time and efforts in active advocacy during legislation and policy developments aimed at their needs. They also need to carry out mutual activities to successfully integrate in the existing market of goods and services. In the same time

they need to educate the existing and the potential clients (consumers of their goods and services) about the importance and benefits of the social economy, while constantly professionalizing and standardizing their services, etc.

BIBLIOGRAPHY

1. Haugh, H., & Kitson, M. (2007). *The Third Way and the third sector: New Labour's economic policy and the social economy*. *Cambridge journal of economics*, 31(6), 973-994.
2. Morel, N., Palier, B., & Palme, J. (Eds.). (2012). *towards a social investment welfare state? Ideas, policies and challenges*. Policy Press.
3. Davison, R., & Heap, H. (2013). *Can social finance meet social need? Tomorrow's People/Can Cook*.
4. Lodi-Smith, J., & Roberts, B. W. (2007). *Social investment and personality: A meta-analysis of the relationship of personality traits to investment in work, family, religion, and volunteerism*. *Personality and Social Psychology Review*, 11(1), 68-86.
5. Roberts, B. W., Wood, D., & Smith, J. L. (2005). *Evaluating five factor theory and social investment perspectives on personality trait development*. *Journal of Research in Personality*, 39(1), 166-184.
6. Dunn, P., & Sainty, B. (2009). *The relationship among board of director characteristics, corporate social performance and corporate financial performance*. *International Journal of Managerial Finance*, 5(4), 407-423.
7. Moore, M. L., Westley, F. R., & Nicholls, A. (2012). *The social finance and social innovation nexus*.
8. Martin, R. L., & Osberg, S. (2007). *Social entrepreneurship: The case for definition (Vol. 5, No. 2, pp. 28-39)*. Stanford: Stanford social innovation review.
9. Zahra, S. A., Gedajlovic, E., Neubaum, D. O., & Shulman, J. M. (2009). *A typology of social entrepreneurs: Motives, search processes and ethical challenges*. *Journal of business venturing*, 24(5), 519-532.

10. De Deken, J. (2014). *Identifying the skeleton of the social investment state: defining and measuring patterns of social policy change on the basis of expenditure data. Reconciling work and poverty reduction. How successful are European welfare states*, 260.
11. Gadaf Rexhepi (2017) *The Architecture of Social Finance in Othmar OLehner (Uni. of Oxford), Routledge Handbook of Social Finance, Routledge (Taylor&Francis)*.
12. Bolton, E., & Savell, L. (2010). *Towards a new social economy: Blended value creation through Social Impact Bonds. Social Finance*, 24.
13. Waddock, S. A., & Graves, S. B. (1997). *The corporate social performance-financial performance link. Strategic management journal*, 303-319.
14. Preston, L. E., & O'bannon, D. P. (1997). *The corporate social-financial performance relationship: A typology and analysis. Business & Society*, 36(4), 419-429.
15. Mathie, A. (2001). *Including the excluded: lessons learned from the poverty targeting strategies used by micro-finance providers. Coady International Institute*.
16. Savitz, A., & Weber, K. (2006). *The triple bottom line*, p. xiii.
17. Roberts, B. W., Wood, D., & Smith, J. L. (2005). *Evaluating five factor theory and social investment perspectives on personality trait development. Journal of Research in Personality*, 39(1), 166-184.
18. Carter, N., Brush, C., Greene, P., Gatewood, E., & Hart, M. (2003). *Women entrepreneurs who break through to equity financing: the influence of human, social and financial capital. Venture Capital: an international journal of entrepreneurial finance*, 5(1), 1-28.
19. Sara Carter, E., & Jones-Evans, D. (2009). *Enterprise and small business: Principles, practice and policy. Strategic Direction*, 25(5).
20. Moore, M. L., Westley, F. R., & Nicholls, A. (2012). *The social finance and social innovation nexus*.
21. Midgley, J. (2015). *Social Enterprise: Accountability and Evaluation Around the World*, by Denny, S., & Seddon, F. (2014). New York: Routledge, ISBN 978-415-62609-1, 252 pp.
22. Slevin, D. P., & Terjesen, S. A. (2011). *Entrepreneurial orientation: Reviewing three papers and implications for further theoretical and methodological development. Entrepreneurship Theory and Practice*, 35(5), 973-987.
23. Cahill, G. (2010). *Primer on social innovation a compendium of definitions developed by organizations around the world. The Philanthropist*, 23(3).

24. Dacin, P. A., Dacin, M. T., & Matear, M. (2010). *Social entrepreneurship: Why we don't need a new theory and how we move forward from here. The academy of management perspectives*, 24(3), 37-57.
25. Maskell, P. (2000). *Social capital, innovation, and competitiveness. In Social capital (pp. 111-123). Oxford University Press.*
26. Joy, I., de Las Casas, L., Rickey, B., & Capital, N. P. (2011). *Understanding the demand for and supply of social finance. London: NESTA and New Philanthropy Capital.*
27. Kaushal, L. A. *Social Finance edited by Alex Nicholls, Rob Paton and Jed Emerson Oxford University Press 2015 pp1-653 Hard Bound.*
28. Brau, J. C., & Woller, G. M. (2004). *Microfinance: A comprehensive review of the existing literature. The Journal of Entrepreneurial Finance*, 9(1), 1.
29. Rankin, K. N. (2002). *Social capital, microfinance, and the politics of development. Feminist economics*, 8(1), 1-24.
30. Bugg-Levine, A., & Emerson, J. (2011). *Impact investing: Transforming how we make money while making a difference. Innovations: Technology, Governance, Globalization*, 6(3), 9-18.
31. Brest, P., & Born, K. (2013). *When can impact investing create real impact. Stanford Social Innovation Review*, 11(4), 22-31.
32. Weber, O., & Duan, Y. (2012). *Social finance and banking. Socially Responsible Finance and Investing: Financial Institutions, Corporations, Investors, and Activists*, 161-180.
33. Denny, S., & Seddon, F. (2013). *Social enterprise: accountability and evaluation around the world. Routledge.*
34. Curak, M., Poposki, K., & Pepur, S. (2012). *Profitability determinants of the Macedonian banking sector in changing environment. Procedia-Social and Behavioral Sciences*, 44, 406-416.
35. Seelos, C., & Mair, J. (2005). *Social entrepreneurship: Creating new business models to serve the poor. Business horizons*, 48(3), 241-246.
36. *Forbes (2014). Stock Exchanges for Social Enterprises? Here Why We Need Them*
37. Dominique Biron-Bordelau (2013) "Social finance and credit unions, Differentiating by making a difference" *Credit Union Central of Canada*

38. Carroll, A. B., & Shabana, K. M. (2010). *The business case for corporate social responsibility: A review of concepts, research and practice. International journal of management reviews, 12(1), 85-105.*
39. E.T. Jackson and Associates Ltd (2012), "Accelerating Impact: Achievements, Challenges and What's Next in Building the Impact Investing Industry," July 2012,
40. Korslund, David & Spengler, Laurie (2012). *Strong Straightforward and Sustainable Banking. Full report by Global Alliance for Banking on Values.*
41. CIA, *World Factbook, 2017, Economy Overview.*
42. Macedonian Information News Agency (2013)
43. Warde, Ibrahim, 2000, 2010. *Islamic Finance in the Global Economy,*
44. Karim, Nimrah & Tarazi, Michael & Reille, Xavier (2008). *Islamic Microfinance: An Emerging Market Niche. The Consultative Group to Assist the Poor.*
45. Ar-Ra'd 13:26, Quran: "indeed God increases provision to whom He pleases and straitens it [in regards to others]"
46. *The Economic System of Islam (Part 1 of 2): The Sources of Islamic Economics (2011)*
47. Benedikter, R. (2011). *Social banking and social finance. In Social Banking and Social Finance (pp. 1-128). Springer New York.*
48. Bosheim, Aspevik Siri. (2012). *Social Banks and Impact Measurement: The cases of Charity Bank and Tridos Bank, ISB Paper Series, No. 10*
49. Shambaugh, J. C. (2012). *The euro's three crises. Brookings papers on economic activity, 2012(1), 157-231.*
50. Aguilera, R. V., Rupp, D. E., Williams, C. A., & Ganapathi, J. (2007). *Putting the S back in corporate social responsibility: A multilevel theory of social change in organizations. Academy of management review, 32(3), 836-863.*
51. Benedikter, R. (2012). *Social banking and social finance: building stones towards a sustainable post-crisis financial system. The European Financial Review, February, 12.*
52. Becchetti, L., & Trovato, G. (2011). *Corporate social responsibility and firm efficiency: a latent class stochastic frontier analysis. Journal of Productivity Analysis, 36(3), 231-246.*

53. San-Jose, Leire & Retolaza, Jose Luis & Gutierrez-Goiria, Jorge (2011). *Journal of Business Ethics, Issue 1*, pp. 151-173 *Are Ethical Banks Different? A Comparative Analysis Using the Radical Affinity Index.*
54. Enskog, Dorothee (2016). *Social Banking – A Future Business Model*, published 07.01.2016 for Credit Suisse Group AG.
55. Kalakota, R., & Whinston, A. B. (1997). *Electronic commerce: a manager's guide*. Addison-Wesley Professional.
56. Crane, A., Matten, D., & Moon, J. (2010). *The emergence of corporate citizenship: historical development and alternative perspectives*. In *Corporate Citizenship in Deutschland* (pp. 64-91). VS Verlag für Sozialwissenschaften.
57. Davidsson, P., & Honig, B. (2003). *The role of social and human capital among nascent entrepreneurs*. *Journal of business venturing*, 18(3), 301-331.
58. Dees, J. G. (2017). *1 The Meaning of Social Entrepreneurship*. In *Case Studies in Social Entrepreneurship and Sustainability* (pp. 34-42). Routledge.
59. Martin, Roger L. & Osberg, Sally (2007), *Social Entrepreneurship: Case for Definition*. *Stanford Social Innovation Review*.
60. Wolk, Andrew M. (2007), *Social Entrepreneurship and Government*. *The Small Business Association, Office of Advocacy*.
61. Defourny, J., & Nyssens, M. (2010). *Conceptions of social enterprise and social entrepreneurship in Europe and the United States: Convergences and divergences*. *Journal of social entrepreneurship*, 1(1), 32-53.
62. McClelland, D. C. (1987). *Characteristics of successful entrepreneurs*. *The journal of creative behavior*, 21(3), 219-233.
63. Cooper, M. (Ed.). (2015). *Current issues and emerging trends in medical tourism*. IGI Global.
64. Ruvio, A., Rosenblatt, Z., & Hertz-Lazarowitz, R. (2010). *Entrepreneurial leadership vision in nonprofit vs. for-profit organizations*. *The Leadership Quarterly*, 21(1), 144-158.
65. Lundström Andres, Zhou Chunyan, von Friedrichs Yvonne, Sundin Elisabeth. *Social Entrepreneurship: Leveraging Economic, Political, and Cultural Dimensions*, p 62

66. Austin, J., Stevenson, H., & Wei-Skillern, J. (2006). *Social and commercial entrepreneurship: same, different, or both?*. *Entrepreneurship theory and practice*, 30(1), 1-22.
67. Yannis Palaiologos, *Tech Start-Ups Bloom in Recession-Hit Greece*, *Time Magazine*, March 20, 2014
68. Hurt, R. D. (1998). *The Ohio Frontier: Crucible of the Old Northwest, 1720–1830*. Indiana University Press.
69. Vanac, Mary (2010). *\$700 million renewas of Ohio Third Frontier heads for May ballot*. *Med City News*.
70. Pledger, Marcia (2015). *Cleveland ranks among top 50 entrepreneurial-friendly cities in the world*. *Advance Local Media LLC*
71. Applegate, L. M., Kerr, W. R., Lerner, J., Pomeranz, D. D., Herrero, G. A., & Scott, C. (2012). *Start-Up Chile: April 2012*.
72. Lobosco, Katie (2013). *Startups find free money in South America*. *CNN Money*
73. Aleksovski, David (2017). *The State of Social Entrepreneurship in Macedonia*. *Center for Intercultural Dialogue*.
74. *Nurturing social enterprises in active labor market policies framework for inclusive local growth in Macedonia*, by Public, 2017 p. 27
75. Savitz, A. (2013). *The triple bottom line: how today's best-run companies are achieving economic, social and environmental success-and how you can too*. John Wiley & Sons.
76. Abu-Saifan, S. 2012. *Social Entrepreneurship: Definition and Boundaries*. *Technology Innovation Management Review*. February 2012: 22-27.
77. Salway, M. (2017). *Social Investment. As a new charity finance tool: using both head and heart*.
78. Nicholls, A., Paton, R., & Emerson, J. (Eds.). (2015). *Social Finance*. Oxford University Press.